

THE BROOKINGS INSTITUTION
Brookings Cafeteria Podcast
“Legislation or gridlock after the 2018 midterms?”
November 16, 2018

CONTRIBUTORS

FRED DEWS

Host

SARAH BINDER

Senior Fellow –Governance Studies

MOLLY REYNOLDS

Fellow – Governance Studies

DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews.

This is our ninth and final episode devoted to the 2018 midterm elections. To help us understand what happened in House and Senate races nationwide and look ahead to the 116th Congress, I'm joined by two of our top Congress experts, Sarah Binder and Molly Reynolds. Sarah is a senior fellow in Governance Studies and a professor of political science at George Washington University. Molly is a fellow in Governance Studies and, as you know, a monthly contributor to the show with her "What's happening in Congress" segment.

Stay tuned also in this episode for David Wessel's economic update.

You can follow the Brookings podcast network on Twitter @policypodcasts to get the latest information about all of our shows.

And now, on with the interview. Sarah and Molly, welcome back to the Brookings cafeteria.

BINDER, REYNOLDS: Thanks for having us.

DEWS: So we're taping this just one week after the midterm elections. It already feels like it was a year ago. Since so much has actually happened between that Tuesday and this Tuesday and this is airing on a Friday. Let me start by asking you both, what's your top line assessment of the results of the midterms? Sarah do you want to start.

BINDER: Sure. With the caveat we got from over that week the, sort of, pundits' view has sort of changed from a just decent night for Democrats to a recognition that there was, however you define it, somewhat of a wave toward the Democratic Party. My top line assessment here it was a referendum on the Trump administration and on President Trump himself. And we learned a lot, I think, about the vulnerability of Republicans in the House, but also a little signal looking forward to 2020 about what the Senate map will look like and what the presidential contest might look like.

DEWS: What do you think, Molly?

REYNOLDS: I basically agreed with Sarah. I mean, I think that for me what happened last week was more or less what I expected to happen and that it was a pretty good night for Democrats. We've talked a lot about the House and House pickups, in part because that's where we're going to see a change in party control, but in the Senate, you know, Democrats went into the election last week with 10 Democratic senators in states won by President Trump, and 26 here on the ballot. And as we're taping this, the current math for the Senate is a net gain of two seats for Republicans. And so, you know, it could have been a much worse night for Democrats than it was.

The one thing that I will add is while I think this was in large part an election about President Trump it's also important to note that in House campaigns at least much of it was talked about on the campaign trail was that President Trump. It was health care and it was the Republicans choice—they were ultimately unsuccessful but their attempt to repeal the Affordable Care Act and to roll back some really popular parts of that law that turns out people around the country wanted to still see in place.

DEWS: Let me follow up on that issue of the Republicans' net gain in the Senate. That's only if Republicans win the special election in Mississippi and the Florida recount? Both might be likely.

REYNOLDS: Yes I'm saying that's sort of based on what we know now. But we had Democrats lose seats in North Dakota, Indiana, and Missouri and then Democrats pick up seats in Nevada and Arizona which, you know, as we think as Sarah mentioned about looking ahead to 2020 that tells us something about what a map for Democrats might look like as they try to compete for the presidential contest in 2020.

DEWS: Sarah, can you expand on that notion of the Senate map in 2020 because now that this election is over, everyone was talking about how bad it was for Democratic Senate hopefuls in 2018. Now we're just all talking about the Senate map in 2020.

BINDER: I think first when we talk about a map we're looking at a third of the Senate is up in every given election year. And what's the balance of Republican held seats versus Democratic held seats? And as we've all noted the 2018 map for Senate Democrats, as Molly said, was really pretty bad uphill battle. Ten Democrats sitting in red states, and more generally two thirds, three quarters of the seats Democrats defending as opposed to Republicans. That switches in 2020 where there are maybe twenty, two dozen at least Republican held or red areas seats, Senate seats up for re-election and relatively few Democratic seats.

Now some of those Republican seats are Tom Cotton, Alabama, right? That's probably not a challenge for Republicans but some will be a little more dicey. Does Susan Collins run for reelection in Maine? The handful of others where there could be some cross pressure in those more purple states.

I think one thing to keep in mind about arguments about the map, maps generally, is that maps aren't dispositive, that is they don't predict the outcome. But they do set the stage. They put one constraint on the party that's defending more seats. But lots else going on—the economy, the nature of the candidates, who Democrats or Republicans can recruit in those races to give us a sense going forward. And of course there'll be a presidential election, and we can't always generalize from the mid-term to the presidential election. 2010: great year for Republicans versus 2012, almost easy Obama win. So 2018 versus 2020, lots going on, lots of moving parts here.

DEWS: And it's almost as if the 2020 presidential election started basically last Tuesday, if it wasn't already going on on both Republican and Democratic sides.

Let me also ask you, Sarah, this question of Senate control. So Republicans in the 115th Congress had 51 of the seats, at most in the 116th Congress they will have 53 seats. So two seats more. Does that really give them any extra power, any extra goodies come with that increase?

BINDER: So my reaction to that question is not really. Given that so much of operates by 60 votes to cut off debate, that inching up, 52, 53, 54, given differences between the two parties they're so far away still from 60. Having said that a fair amount of work gets done these days in the Senate by majority vote whether it's appointments or using the Congressional Review Act where we can, sort of, pick out regulations and repeal them by majority vote. So having a little extra cushion, one or two seat extra cushion, helps a little bit because we saw a handful of nominations couldn't be confirmed and were withdrawn when they knew they were going to get to 50.

Now maybe that cushion is enough for everybody to sail through. We never know. But I think there's some impact there on nominations for sure going forward.

REYNOLDS: I would say two things One is that I think the cushion does matter a little bit for nominations, and we have reason to believe if past is prologue that that's what Majority Leader McConnell will spend much of the next two years on. On the other things that Sarah mentioned where the Senate's been legislating on majority rule basis: some of those kind of maneuvers I think we'll expect to come off the table in the next two years because with Democratic control of the House, Democrats in the House aren't going to go along with an effort by Republicans in the Senate to pass some big budget reconciliation bill that can't be filibustered, that sort of thing. The other thing that I'll say about does 52 versus 53 matter? is again if we're looking ahead towards future potential for Democratic success in Senate elections every seat they hold on to now is one fewer seat that they would need to pick up in 2020 as we look towards where that's going.

DEWS: Now and the house is completely different. I mean all the Democrats needed to do is win 23 seats to get to that magic number, 218 to have a majority. Looks like they're going to have 10 or more seats more than what they needed somewhere in the range of 228, 230 seats total. That's a monumental change for the House of Representatives.

REYNOLDS: So it's a pretty big change. I mean, there's been a lot of kind of going back and forth over the past week over, you know, it's not as many as the Republicans picked up in 2010 and so on and so forth. But in terms of switching control of the chamber from one party to the other it matters a great deal, and as we think about things like, you know, who would be elected the next speaker of the house, the bigger the majority the more margin for error Nancy Pelosi has as she tries to get the votes to get elected speaker. So it does make a big difference.

DEWS: Who would be challenging Nancy Pelosi to be Speaker of the House?

REYNOLDS: That's the million dollar question, Fred. So as of this recording there's no clear consensus alternative candidate to Pelosi. So, two years ago in the aftermath of the 2016 election when Democrats were selecting their minority leader, you know, Tim Ryan of Ohio had emerged as the person who was going to be the alternative to Pelosi. He didn't win. But at this point we don't have a clear alternative candidate. No one sort of come forward and said, I will be the person to run against Pelosi for speaker nominee of the Democrats.

DEWS: Can you explain, Molly, to our listeners the job of Speaker of the House and some of his or her top leadership positions. Why are these positions so important?

REYNOLDS: Sure. So the biggest responsibility or I would say the most consequential responsibility in terms of the House itself for the speaker is the speaker gets to set the agenda the speaker gets to decide what bills are considered on the floor of the House, gets to decide what issues the House spends its time on. And then beyond that the speaker is quite influential in helping to select committee chairmen and make committee assignments. And in the contemporary Congress, just so much of the legislative process runs through the Speaker of the House through the centralized leadership office that really just so much of what gets decided about what's going to happen in the House is done by the Speaker.

The Speaker is assisted by a majority leader, a majority whip, and then a whole set of other leadership offices. One thing that I think will be worth keeping an eye on is whether in her attempt to shore up the votes to become Speaker, Nancy Pelosi starts creating other new Democratic leadership posts within the party to try to appease some factions within the caucus.

DEWS: So people love to play the game, who's next in line to the presidency? I believe the speaker is third after the V.P. and the president *pro tem* of the Senate. So speaking of the Senate, Sarah, same question for you. How important is the role of Senate Majority Leader? Is it very similar to the Speaker?

BINDER: Well, yes and no. So first off, just thinking about the Senate doesn't have a constitutionally appointed officer. I mentioned the president pro tem, but the issue here is over time, over history, congressional history, senators haven't wanted to empower their presiding officer because technically that's the vice president and the vice president could be from the other party. So what we have instead is party development. Majority leader, his or her power, it's always his, his power comes from, oddly enough, it's not written into the rules, it's just a practice that the majority leader goes to the floor and raises his hand and gets recognized first. What does that give him? It gives him essentially strong control to set the agenda. Albeit to put most bills on the floor you need support of 60 votes meaning you're going to need Democratic support. So that limits the extent to which the majority leader can set the agenda. But that does give certain amount of powers to Mitch McConnell if he wants to block something from going to the floor, more or less can do that. Are there are ways around it for Democrats to get to the floor and offer amendments? That may be debating a deregulation bill and they could go to the floor and offer an amendment on minimum wage. So there's some powers here for the majority leader and certainly on nominations to decide which nominations to call up and when.

DEWS: So here we are in mid-November. The election just happened. The new

members of Congress and the new Congress doesn't start until early January when the new members are sworn in. So the current Congress is still in effect. I don't know if it's technically in session or not but I guess it'll come back for what we call a lame duck. What happens in this lame duck session? What are the procedural things that the House and Senate have to do? And what kind of policy do you think they'll take up. Sarah?

BINDER: Well, over time we've seen some very productive lame duck Congresses and some not so much. This is going to be a not so much Congress. The issue here is what's really left on the table. Is there anything must pass? The must pass issues here are the remaining spending bills for the fiscal year that started last October. They passed but I think enacted five of them already; the seven that remaining are about a quarter of the discretionary spending. But it's a pretty important spending including Homeland Security. So they do need to have an agreement on spending, whether it's to kick the can into the new year, Republicans probably don't want to do that, in the House for sure, because they lose power. They're going to need to have some agreement on spending going forward.

That could end up in a fight over border spending. President Trump has said \$25 billion, \$23 billion, maybe \$5 billion, right? He wants money for the border wall. Democrats aren't eager and I think many Republicans aren't eager to have that fight or to give him that money. Christmas is coming, winter holidays. Nobody really wants to be fighting on a border wall in December. They really want to go home. So I think that gets shelved if not punted for the future.

There's a farm bill there in conference. Both sides I think want to finish this. There's a remaining issue. House Republicans want some pretty tough, tougher limits on requiring SNAP, food stamp, recipients to work. Democrats not so eager, some Republicans not so eager. My guess is they paper that over, solve it, some backing down by House Republicans and finish. Otherwise buck it to the new year and everybody starts over. So that's my sense. Plus nominations, it's always fertile ground for nomination.

REYNOLDS: That's my take on what we're going to see legislatively over the next couple of weeks. In terms of what members need to do to get ready for the new Congress that convenes in January: so we do have the need for both party caucuses to elect leadership so in the Republican side. Speaker Ryan is retiring, so there'll be an election for the new minority leader and other leadership positions in the Republican conference. On the Democratic side they'll be putting in place the party's nominee for speaker and other party leaders. Each side will also be choosing their new committee chairs and ranking members. This will also happen in the Senate even though we're not seeing a change in party control. There are things like Orrin Hatch is retiring and so the chair of the Finance Committee is open, and does Chuck Grassley want to go become the finance committee chair or does he want to stay at Judiciary? That sort of thing.

And the House in particular also needs to decide whether it wants to make any changes either to the rules of each party caucus or to the rules of the chamber as a whole. So at the start of each new Congress the House adopts what we call an opening day rules package, which is a set of rules that govern how the House will operate for the next two years. So that will be something to watch. Democrats will have to decide whether they want to retain the ban on earmarks, and they'll also need to decide whether they want to retain that Republican-imposed term limits on committee chairmen. So right now committee chairs can only serve four, I believe it's three terms. And so those are two big questions that face Democrats as they stand to assume the majority and decide what kind of rules they want to use in the House over the next two years.

DEWS: See I thought those rules were just party specific but the controlling party sets the rules for the whole chamber and they all have to follow it?

REYNOLDS: Essentially because like everything in the House the rules package is voted on with a simple majority vote. So if you have the votes within, you know, the new Democratic majority those rules will bind the House as a whole for the next two years.

DEWS: Let me follow up with you then, Molly, on a rule change that you wrote about. In 2015 the GOP passed a rule that changed subpoena power. Can you explain what that rule change was and what it could possibly mean for the 116th Congress?

REYNOLDS. Sure. So in 2015, Republicans in the House expanded the number of House committees where the chairman of the committee has the power to issue a subpoena without consulting either the ranking member, who's a member of the other party, or the full committee. And so there are some committees where this has been the rule for a long time. But in 2015, Republicans expanded the number of committees where this is an option. And so Democrats in the new Congress will have to decide whether they want to retain those rules for each committee. And even if they retain them how aggressively do they want to use them. And so just because the chairman of a committee has the power to issue a subpoena without consulting the minority, doesn't mean he has to use that power in that way. And so as Democrats sort of try to decide what their investigative and oversight agenda is going to look like in the 116th Congress, this is one of many choices that they'll have to make.

DEWS: Well, there's a lot of new members coming into the House side especially, a lot of people who won in those suburban districts. I know they ran on health care. They weren't necessarily anti-Trump but there's a lot of people who support progressive candidates who want Trump to be investigated. Do you think that the influx of all of these new members coming into the House majority will lend itself more to a push to legislate more or investigate more? Or is there some combination that they can figure it out?

REYNOLDS: So I'm of the mind that they can do some of both. I think that we should be realistic in what our legislative expectations are for the next two years. You know, Democrats control one chamber, Republicans control the other. There's a Republican president in the White House. That's not a recipe for great legislative progress. That's not to say there's nothing that they could get done, but conditions aren't favorable,

for using a weather forecasting term.

But in terms of investigations, I think that there will be some pressure on House Democrats to do investigative work that's really targeted specifically at President Trump. And I think we'll see some of that. Richie Neal, who's the prospective chairman of the House Ways and Means Committee, has said that he intends to try and obtain Trump's tax returns. That sort of thing. But there's also a lot of investigative and oversight work that's just about the conduct of the Trump administration and the implementation of policies. So things like the family separation crisis, the Department of Justice's decision not to defend the constitutionality of the Affordable Care Act. So lots of other things that aren't just about President Trump personally where I actually expect to see House Democrats devote a lot of their oversight time.

DEWS: Sarah, thinking about how I learned legislative business when I was in school, the House introduces some bill they debated. The Senate takes it up. They have a conference and then maybe they produce legislation the president signs or vetoes it. What is that dynamic when you have the House controlled by the Democrats now? And if they do pursue legislation that their members want, their constituents want, what if Mitch McConnell just says, "anything you pass is dead on arrival"? Will the House then just say, "well then we're not going to bother, we'll do other things"? Do they still try to pursue their legislative agenda knowing they might hit a complete roadblock in the Senate?

BINDER: Well, I think you've put your finger on precisely what we're likely to see, and I'm sure it will have a hashtag of its own: #JamtheSenate, #stoptheSenate, #pushtheSenate. Right? That's part of what we think of in a period of split party control where at least the last recent incarnations under the Obama administration when we had split party control, not a lot gets done. Not to say nothing gets done, but levels of deadlock are certainly slightly higher in periods of split party control compared to unified party control.

But it opens up the possibility of, here's what we often see, is simply called messaging. It's not to say that they just put out press releases but actually they choose legislative bills to pursue, this time in the House, that becomes a message for the party. Put us in the White House. Return us to Congress. And these are the sorts of things we will do. And if the Senate doesn't want to call them up there's no expectation they're going to call them up. But again it becomes a rallying cry: "Look we did this, we dumped on the Senate. These are the consequences. All right?" This isn't in the old terms "avoiding blame." This is "generating blame" as one of our colleagues Kent Weaver talks about. We've generated blame. We put it squarely on Mitch McConnell and on Republicans, let alone Trump.

So in that sense, in a sort of twisted legislative sense, it's a win-win for the majority even if the rest of us out here may lose from the lack of problem solving, but it becomes a strategy then. And then it's perfectly consistent with, as Molly said, look, both investigating and oversight. And then this type of messaging politics. And it could be that there are some issues on which Republicans think there's an incentive to go to the table, right, and that there's a reward for it. It's not always clear what those will be. Some will be forced on them by deadlines. Budget deal will have to happen, spending bills will have to happen. There's some mumbling about criminal justice reform. I'll believe it when I see it. So it's possible that some of that House push will end up with Senate action. Probably not but always a possibility depending on these parties' incentives.

DEWS: Is it likely that we'll keep hearing about whether or not a Senator Collins or Senator Murkowski is going to join the Democratic minority in the Senate to help pass or prevent legislation, because they were always considered the moderate Republicans?

BINDER: Yeah. Their power is a bit diminished on a lot of issues here because they're no longer the 50th and 51st necessary senator, right? Now because there are other options, they can reach out to any of these new incoming Republican senators now that

the majority is larger. And without being able to control the agenda in the Senate, on the Democratic side, they're useful but not that useful because still the onus is to get to 60 from the majority side.

DEWS: In a post-election news conference, President Trump threatened that if House Democrats investigate his administration or himself, he'd have Senate Republicans investigate them. Is that even a thing that the Senate can do?

BINDER: Senators can do oversight but a Republican Senate is not really going to do much oversight of a Republican administration. We saw a little bit of it from the Intelligence Committee on Russia, but no, and are they going to go after Democrats for the type of things that Trump has talked about? The president talked about leaking of confidential information. No, no. I mean that's sort of the nonsensical part of it.

REYNOLDS: No, I totally agree with you and even just thinking about procedure like we were talking before about the number of House committee chairs who currently have power to issue unilateral subpoenas. That's not really a thing in the Senate. That's not how the Senate's oversight operations work. And so I saw that comment from President Trump as much more of kind of a political threat. And I think that, you know, it's important when we think about oversight to think about, kind of, the element that actually uncovers information and then the element that's about creating an overall political environment that's favorable to you or bad for your opponents. And so that's kind of how I've read that comment from Trump as opposed to an actual threat to have Senate committees investigating their House counterparts.

DEWS: I've also heard President Trump characterize the potential of investigations and subpoenas as presidential harassment. And I think Senator McConnell kind of echoed that or maybe Trump was echoing McConnell. Has anybody ever thought of Congress doing investigations and oversight into the executive as presidential harassment?

REYNOLDS: So one question that House Democrats will have to kind of grapple

with going forward is what did they decide their oversight activities are going to look like? Are they going to do oversight that looks more like the Benghazi hearings? Which I think are now we sometimes use as the canonical example of gotcha oversight, which is really about House Republicans trying to embarrass the Obama administration. Or do they do oversight that is more substantive in nature, tries to really get to the bottom of how different decisions were made in the executive branch, and that sort of thing?

And so it wouldn't surprise me going forward if we hear that presidential harassment line a lot. One thing that Leader McConnell is quite good at is message discipline. And so once he sort of latches onto a phrase I think we should often expect to hear it come back to the future. Sarah was talking about hashtags before, maybe we'll have a hash tag presidential harassment. Exactly how to proceed in terms of oversight and investigations is a decision that House Democrats are going to have to make.

DEWS: Molly, you observed recently in some post-election analysis that more than 40 percent of current House Democrats have never served in the majority and they're being joined by a sizable number of brand new members. There are also new members coming in with the GOP House minority. What are the implications of this newness?

REYNOLDS: Yes, so if you are you know if you're a House Democrat and you've never served in the majority before you don't know what it's like to be in a chamber where your party gets to decide what bills are considered on the floor, where your party gets to decide what topics committees have hearings about. Your strategy for having conducted yourself in the House is associated with things like sending angry press releases and trying to offer amendments that the House Rules Committee, which gets to decide which amendments come to the floor of the House, says "no you can't offer them."

So it's just a very, in a chamber as majoritarian as the House is where the majority party really does get to decide what happens, it's just a really different experience. If you're on a committee you don't know what it's like to get the additional staff resources that come

with being in the majority. And it ranges from kind of big picture things to just the day to day operations of being a member of Congress. And the same is true for Republicans. The Republicans who have only ever served in the majority are in for a learning curve of their own.

DEWS: So this is a question for both of you. Some analysts have said that the Republican conferences in each chamber, in each the House and the Senate, are going to be more ideologically conservative, maybe even more so in the House because maybe a lot of the more moderate Republican members lost. You could say the same for the Senate. Is this a true assessment? And what does that portend for policymaking?

BINDER: So, I would give that a yes and a no. A true and maybe not always entirely true. If we look at which Republicans, just in terms of the seat loss—the two dozen, roughly, who were in districts that Hillary Clinton had won or were trending, might have been won by Trump were purple-ish. Look there were 40 plus Republican retirements, if we're seeing the writing on the wall, tending to come from more moderate places. So absolutely. The smaller the group the more cohesive. And I think that's largely what we'll see coming from those returning Republicans in House or Senate.

The one thing that struck me this week was looking at some data from group called City Lab that look not just at seat change but at Democratic vote share. Which areas of the country lost or did Republicans shrink? And we were all talking about suburban districts. But what was remarkable to me was the loss, or think of it this way: Democrats gaining more votes in even rural areas, not nearly the suburban areas. Why is it important? For sure, Republicans still won those seats. But you do have to wonder are they looking around and saying, look, tying myself to Trump is there a political cost? I'm now in a more marginal seat and thinking ahead to 2020, now does that change voting behavior in the House? Probably not but it may make them a little less willing to reflexively defend the president, possibly or may drive some of them more to retire in 2020.

REYNOLDS: Yeah, I mean if we think about, as Sarah said, if we think about the set of House Republicans who saw their seats flipped to Democratic control, they did tend to be the more moderate end of the caucus. In a world where Republicans have the minority in the House I actually think that has somewhat lessened consequences for governing than it would have if, say, so when in an alternative universe where a lot of Republicans have lost but not quite enough has lost to lose the majority and then we had a very narrow and more conservative House Republican majority, that would have been a real challenge for governing because of the degree to which there's a faction within the House Republican Conference who is very reluctant to support large spending bills, that sort of thing. And where we've seen a lot of challenges with keeping the government open over the past five or so years.

And in that sense, yes, we do see the House Republican Conference will have a more conservative center of gravity than it did in the last Congress. But I think because they're moving into the minority the consequences in terms of actually getting things done, that's not going to be one of the bigger obstacles. It'll be the partisan conflict between the House Democrats and the Senate Republicans.

DEWS: Let's wrap it up this way. I'm going to ask you both this question in echo Robert Redford's famous last line from the film, "The Candidate." What does Congress do now? Molly?

REYNOLDS: I mean, I spend a lot of time thinking about the congressional budget process, so my mind automatically goes to Congress has to find a way to reach a new two-year budget deal in the new Congress. And that I suspect is going to be such a major, and spending bills in general, is going to be so much of what Congress ends up doing in the next two years. And will be such a front for partisan conflict in the next Congress.

BINDER: Not to overstate it but all eyes are on 2020. That does overstate it but I think my eyes are on, here first, the Democrats suiting up. Right. Do they have the

institutional capacity and the political capacity to pull off the sort of agenda we've just given them? It will be fascinating, but also I think all eyes from the Democratic side on how they are going to position themselves to generate a candidate for 2020. And Molly and I will still be focusing on Congress. But most other eyes in Washington will be on 2020.

REYNOLDS: You can never take my eyes and Sarah's eyes off Congress as hard as you try.

DEWS: Well, Sarah Binder and Molly Reynolds, thank you both for sharing your time and expertise with us today.

BINDER, REYNOLDS: Sure. Thanks for having us.

DEWS: You can find more post-election analysis on our website, [brookings.edu/2018midterms](https://www.brookings.edu/2018midterms).

Now here's David Wessel, director of the Hutchins Center on Fiscal and Monetary Policy, with his economic update.

WESSEL: I'm David Wessel and this is my economic update.

The unemployment rate—the percentage of Americans 16 years and older who are looking for work and can't find a job—is down to 3.7 percent. The last time it was this low was in October 1969. Richard Nixon was president.

Economic forecasters, for what it's worth, see the unemployment rate continuing to fall. Other measures of the job market, like the one that counts people who have given up looking for work or are working part time and prefer full time work, are also at historically low levels. Which raises a question. Can the unemployment rate fall too low?

To many of us, this is a jarring question. The more people working and the fewer people struggling to find jobs the better. Right? Sure it's a hassle for employers who find fewer applicants for their openings. Some of them might actually have to pay more, or offer more attractive benefits, or better working conditions to get the workers they need, or even offer some more on the job training.

But that seems a good deal for the overall economy.

So who's worried about too little employment? Well. Some folks at the Federal Reserve for starters, and not because they're hardhearted nasty people. The Fed's mandate is to achieve stable prices, which the Fed these days defines as inflation at 2 percent, and maximum sustainable employment. Simply put, the Fed and many other economists believe, based on history, that when unemployment falls below some threshold wages and prices go up. Now, for most of the past decade inflation was so far below the Fed's target, that it didn't worry about this and it kept interest rates extraordinarily low. But lately, inflation has been creeping towards that 2 percent target. And, finally, wages are beginning to rise, too.

So the standard Fed story goes something like this: If unemployment gets too low and wages rise too much, and inflation goes well above our target, we'll have to respond by raising interest rates a lot. And that could produce a recession. So we're all better off, the story goes, if the Fed gently raises interest rates, slows hiring just enough that the unemployment rate doesn't fall too low, and we don't get too much inflation. In Fed speak, this is known as a "soft landing." And the Fed traditionally has had a lot of trouble pulling this off.

But the art of central banking is to draw the right lessons from history. To avoid fighting the last war. To be careful the look both for ways in which today's economy is like the past and ways in which is different. One thing that's certainly different today, wages have been very, very slow to respond to falling unemployment. In part, that's because the strong job market has drawn many workers off the sidelines. Workers who weren't counted as unemployed a couple of years ago because they weren't looking for work. And in part, it's because globalization, technology, outsourcing, the gig economy, the atrophying of unions have all weakened the bargaining power of workers versus employers. So employers don't have to raise wages like they once did.

That recent history has led economists at the Fed, the Congressional Budget Office, and others to move down their estimates of how low unemployment can go before it generates unwelcome inflation. Twenty years ago, they anticipated wages would pick up if unemployment fell much below 5 percent. Today's consensus of what's known as the natural rate of unemployment, or NAIRU for non-accelerating inflation rate of unemployment, are around four and a half percent. Which of course is substantially above today's level.

The problem is that estimating this natural rate of unemployment is very hard, particularly in real time. Which means it's really hard to know how low unemployment can safely fall. So the conversation at the Fed these days goes something like this: Most folks there seem to agree that raising interest rates in December is wise. After all interest rates remain very low given the strength of the economy. But there's some disagreement about how fast the Fed should raise them next year. One camp says that with unemployment headed below three and a half percent, an unwelcome increase in inflation is inevitable, and the Fed needs to be tough, do its job no matter how unpopular, and slow hiring with several rate increases next year.

The other camp, call it the wait and see camp, wants to be very cautious. They want to move rates up very gently until they see wages and prices responding to low unemployment, especially since there are worrisome signs of global economic growth is slowing.

This is a judgment call. And ultimately it boils down to what risk the Fed is willing to take. Does it fear inflation so much that it's willing to raise interest rates a lot even if that risks prematurely curtailing hiring and wage increases? Or, does it fear unemployment so much, does it fear hurting workers so much, that it's willing to risk inflation rising significantly above its target by holding off on rate increases?

DEWS: The Brookings Cafeteria podcast is the product of an amazing team of

colleagues, including audio engineer and producer Gaston Reboredo, with assistance from Mark Hoelscher. The producers are Brennan Hoban and Chris McKenna. Bill Finan, director of the Brookings Institution Press, does the book interviews, and Jessica Pavone and Eric Abalahin provide design and web support. Our interns this semester are Churon Bernier and Tim Madden. Finally, my thanks to Camilla Ramirez and Emily Horne for their guidance and support.

“The Brookings Cafeteria” is brought to you by the Brookings Podcast Network, which also produces “Intersections” hosted by Adriana Pita, “5 on 45,” and our events podcasts.

Email your questions and comments to me at BCP@Brookings.edu. If you have a question for a scholar, include an audio file and I'll play it and the answer on the air.

Follow us on Twitter @policypodcasts.

You can listen to “The Brookings Cafeteria” in all the usual places.

Visit us online at Brookings.edu/podcasts.

Until next time, I'm Fred Dews.