

THE BROOKINGS INSTITUTION

WEBINAR

THE VANISHING AMERICAN DREAM: THE ECONOMIC REALITIES
FACING MIDDLE- AND LOWER INCOME AMERICANS

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Introduction:

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“Zoom-Side Chat” on *The Vanishing American Dream*:

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Founder and Chief Executive Officer, Promontory Financial Group
Chair, Ludwig Institute for Shared Economic Prosperity (USEP)

ISABEL SAWHILL

Senior Fellow, Future of the Middle Class Initiative
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Panel 1:

STEPHANIE AARONSON, Moderator

Vice President, Economic Studies
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SARAH BLOOM RASKIN

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Distinguished Fellow, Global Financial Markets Center
Senior Fellow, Duke Center on Risk Science and Society Initiative,
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Panel 2:

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JACOB HACKER
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THE HONORABLE DEVAL PATRICK
Founder and Chairman, TogetherFUND PAC
Former Governor, State of Massachusetts

Closing Remarks:

EUGENE LUDWIG
Founder and Chief Executive Officer, Promontory Financial Group
Chair, Ludwig Institute for Shared Economic Prosperity (USEP)

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P R O C E E D I N G S

MR. REEVES: Hi. Thank you for joining us today for what I am quite sure will be a real treat and we're very much looking forward to this event.

My name is Richard Reeves. I'm a senior fellow at the Brookings Institution where I direct our Future of the Middle Class Initiative, which is the main theme of our discussion today. You're very welcome joining us from wherever you are.

I'm just going to very briefly go through the running order so you know what's coming and then I'll be handing over to one of my colleagues.

This even has been inspired by Gene Ludwig, who's the former comptroller of the currency and who assembled a group of economists and scholars to tackle this endemic problem that the U.S. has of the middle class and working class falling behind everybody else. The produce of that discussion will be the centerpiece of today's event, but also of a book that Gene has pulled together, published on the 22nd of September on "The Vanishing American Dream", hence our title today. The quick plug is that Isabel Sawhill, who you are about hear from, and myself also have a book on the middle class coming out on the same day, "A New Contract with the Middle Class", which is available through the Brookings website. A free hard copy can be ordered.

So what Gene did was to gather together some of the best thinkers and policy makers in the field of inequality and to challenge them to think through where's the problem and what the solutions. And we're going to get a sense of that as we go through our discussion today. Please join in, please send questions via email to Events@Brookings.edu. If you're on social media use #VanishingAmericanDream and someone will be funneling those questions through to our moderators during the course of the day.

So I want to take a huge thanks to Gene at the outset for really inspiring this strand of work and today's event, and my colleague, Isabel Sawhill, for bringing all of this together. The running order will be that first of all you're going to hear from Belle Sawhill and Gene himself in what we would call a fireside chat in normal times, but we'll call a Zoom-side chat for today, and to really dig into some of these themes as to what's gone wrong and what can we do about it.

And then there are two expert panels, the first one moderated by my colleague Stephanie

Aaronson here at the Brookings Institution. And that panel will consist three experts, Jay Shambaugh, a nonresident here at Brookings, Janet Yellen, a distinguished fellow in residence, and Sarah Bloom Raskin, the former deputy secretary at the Treasury. And then the second panel will be moderated by Bel herself, and that panel includes Jacob Hacker from Yale, Oren Cass, the founder of the new think tank, center right think tank, American Compass, and the Honorable Deval Patrick, the former governor of the State of Massachusetts. Gene will then offer some concluding to our event.

So I don't know what the collective noun for gurus is, perhaps a galaxy of gurus would do, but certainly that's what's coming. Certainly some of the best minds who have been thinking about these issues are being brought to bear on the event today. So stay tuned. Please fire your questions in and do check out Gene's book, "The Vanishing American Dream". And thank you again very much for joining us today.

And, with that, I'm going to hand over to the main event led initially by my colleague, Belle Sawhill, alongside Gene.

MS. SAWHILL: Thank you so much, Richard. I love the idea of a galaxy of gurus. I certainly never heard that phrase before. And, as you said, we are here today to discuss some of the idea in Gene Ludwig's new book on the vanishing American dream. And, as you mentioned, the book is an outgrowth of a conference that Gene organized at Yale Law School, at which I had the privilege to attend, and I can emphasize what you said, which is that he pulled together an incredibly impressive group of leading scholars, some CEOs, and people who have served at the highest levels in federal, state, and local government.

So the book includes not only Gene's very smart and useful summary at the beginning, but also the actual voices of all the participants, only lightly edited. So as a reader you get the flavor, the full flavor of the discussion, including areas where people agreed and also areas where they didn't agree.

Before we jump into the discussion of the book and the two panels, I want to say just a little more about Gene himself. He has been a very successful lawyer and business leader. As Richard mentioned, he served as comptroller of the currency during the Clinton administration. He has helped I think to reform the financial sector, giving a lot of his time to thinking about that, making sure, for example, that banks do not discriminate in their lending practices and encouraging them to invest in

community development. But he remains much more than just a financial and business leader, he remains intellectually engaged in a much broader set of issues related to social justice, inequality, and broadly shared prosperity.

So, with that introduction, Gene, I want to ask you what caused you to decide to organize this conference at Yale and to write this book?

MR. LUDWIG: Well, Bel, before I address your question, I want to say what an honor it is for me to be here today with you and Richard and the Brookings team. Your personal scholarship and Brookings' scholarship is the gold standard around the world. And it is so needed, but it's particularly needed now.

Now, second, our new book, "The Vanishing American Dream", is about a genuine crisis. And I don't exaggerate. This is the central crisis as America lurches into the second date of the 21st century. The crisis is a material decline in the well-being of middle and lower income Americans to the point that the American dream, the promise of our forefathers, is becoming essentially out of reach for the majority of citizens. Now, the book is important, I think, because it brings together an unusually diverse and talented set of more than 20 scholars — and you and Richard referred to that — the Nobel Prize laureate and governors and mayors and business people, treasury secretary, fed vice chairman, fed president, people of different political, ethnic, racial, and gender backgrounds who address this question as part of a day and a half symposium at the Yale Law School.

Now, as your question implies, I came to the book because I came to recognize now deep a problem we have and how it must be tackled enough from economic, financial, or other statistics. In other words, I didn't get to thinking because I looked at a bunch of statistics and I said hey, there's a problem here, but rather through personal experience. And, by the way, I think that's one of the takeaways from the book, the scholarship. The statistics may tell you something, but what you feel and touch is enormously important in terms of questioning reality.

Now, I grew up in York, Pennsylvania, which when I was growing up in the 1950s and '60s, it was pretty much Norman Rockwell America. Oh, it had it's underbelly of racism, and not just against black Americans, but Jews, Catholics, et cetera, et cetera. Those are the times, even in York. But York in those days was a prosperous place of opportunity. Rumor had it, and Yorkers took great

delight in this, that no banks closed during the depression. But whether that's true or not, it had a strong farm community. I suggest anybody go to the York farmer's market, which was a great think. I think it still exists today. But it also had important indigenous industries. York Dental Supply, where dental tape comes from that we all use, York Air Conditioner, that actually invested the air conditioner, York Barbell, the second largest Caterpillar tractor plant in the world, Edgcomb Steel. And I can go on and on. By the way, I probably used York Barbell a little bit myself. Should have used it more when I was there. But that's not the York of today, that was the York of yesterday.

When I went back to give a speech to the business community in the town about five years ago — I hadn't been back in about twenty years to speak of — I was shocked to see a palpable decline in the physical and social fabric of the town and the surrounding area. Once lively suburban schools — and I'm talking about the suburban schools, not inner city, you know, schools, suburban schools where the majority of kids today live on assisted lunch. The businesses I mentioned were all closed and the nationally important business leadership is largely gone. Drug deaths today exceed auto accidents for deaths in the country.

Now, as I look closer to that reality that I experienced in York, it's representative, as many of you know on the video, of America — you know, middle class American from the Appalachian Mountains pretty much to the West Coast.

Now, even in the emerald city of Washington, for 43 years I've walked, ridden my bike, or driven past the Federal Reserve Board. Over the last number of years a city of homeless people have grown up around the Federal Reserve. It sprung up and has grown, grown, grown. And, indeed, I asked my folks —

MS. SAWHILL: This is right off Constitution Avenue?

MR. LUDWIG: It's on H, it's on H on the other side. And I asked my folks to take a look, because rumor had it that oh, no, that's not there anymore. I've been out of the city for a couple of months. Oh, yes, it's there, just bigger than ever, with now a clothesline for people drying their clothes. And, yes, right in the Nation's capital, right in the center of the emerald city next to the Kennedy Center and the Fed. And we all know it's worse elsewhere in Washington.

So when I thought about it, I said to myself, yes, this is what I feel and touch, but what do

the numbers tell us. You know, I care about that. As someone who believes in academic truth, I know you do, Bel, and Brookings certainly does, let's go beyond the anecdotes. So I hired an economic talent to help me dig into the numbers to better understand the statistics in terms of what is happening in America. And I came to recognize doing that the depth of the problem, that it was really much greater than I had actually even seen in York. And I was genuinely shocked and heartsick. Now, I know this will sound a bit bombastic, but if we do not deal with this decline and reverse it, the time will not be too long – not too long from now when us cosmopolitan elites will be on the wrong side of the pitchforks.

Now, in terms of identifying the problems and the causes and what to do about it, I also recognized I had only one point of view and certain areas of expertise, but by no means comprehensive. And it was important to bring together the exceptional talented and diverse group I did to get a definitive handle on what the state of affairs really is and what to do about it. And, therefore, the book reflects not just my thoughts, but much more importantly, the thoughts and interaction of the group.

So what did we learn? Yes, everybody agreed pretty much that the problem is as bad as I worried it was, they was pretty much a consensus on that. As to what to do, the symposium was set up, and participants agreed, there were both national and local issues, both of which had to be addressed. Now, the book is full of many ways to attack this multi-headed monster of American decline. I urge everybody to read it. You know, we'll maybe have time here to go into some of the thoughts scholars had, but it's incredibly detailed and diverse in their views, which it actually is more agreement than disagreement. But so that's hopeful.

MS. SAWHILL: That's a wonderful introduction, Gene. And you did mention both the fact that you've had observed yourself and talked to people and gone back to York, Pennsylvania and really picked up what's going on in the country just through observation and the importance of that and not just looking at number. But also that we need to combine that with looking at the numbers. And I couldn't agree with that more. In our own work we are also doing focus groups around the country with working and middle class people. And we also, of course, looked at the numbers.

I want to bring up, if our staff can help us here, for everyone to see just one chart that was in your book. And, by the way, the book has got lots of good charts in it, it's not just a personal story. And this is a chart that I think a lot of people, a lot of analysts certainly, are familiar with. The data come

from the Congressional Budget Office, but the chart is also in Gene's book. And what it shows is the fact that family incomes, household incomes, have been going up rather slowly since about 1980, except at the very top of the distribution, where incomes have really gone through the roof. What's particularly interesting to me about this chart is that if you look at the lines that are clustered there at the bottom, it's not the poor that are doing the worst, it is actually the middle 60 percent, that dotted line. They are doing even worse than those at the very bottom and closer to the top. And I should remind all of us that these figures are adjusted for the fact that people have already paid their taxes and they are adjusted for the fact that they get some government benefits, which is the only reason why the poor, by the way, the bottom 20 percent look a little better than the middle class. So this really I think just makes your point rather sharply and clearly with the data.

Would you like to say a little more about that? I know you've got some thoughts about whether the CPI or other standard inflation measures are adequately portraying all of this.

MR. LUDWIG: Bel, you and I chatted about this just before we opened up and I was kind of looking at the chart and I said to myself, well, you know, some when they look at the chart could say, okay, the top 1 percent are doing fantastically well, but the lower quartiles are not doing so badly either. But, in fact, this isn't the case. And it points to a central theme of the book, and that is — the one thing that really came out in the symposium is just how flawed and misleading headline statistics are in America. Unemployment figures, GDP, inflation figures are all flawed and misleading and have been misleading policy leaders for some time.

Now, for example, we have an unemployment index that counts people as employed even if they can't find full-time work and they want it and even if the best they can find is below, materially below a poverty wage. So, in other words, you say they're employed, well, that doesn't tell you much in the unemployment statistics. They can be basically not earning enough to feed their family or feed themselves. And that's a big deal, obviously.

Now, furthermore, when you look at these numbers and they're CPI adjusted — you know, I think everybody in video understand that CPI is consumer price index. It's an index that's generally used by the Bureau of Labor Statistics, you know, in sort of trying to give a sense of whether there is real increase in wages or not. So these are CPI adjusted. But that doesn't tell us the story. We

forget — and the CPI doesn't tell us — that for middle and lower income Americans the basket of goods and services that matters to them most to achieve the American dream is actually weighted differently. The basket of goods and services they care most about is different than the basket of goods and services affluent people do. That is the goods and services that particularly matter most for the American dream of the middle class, you know, have to do with basics — healthcare, housing, tuition so you can go to school and advance yourself so you can actually get sort of a rising wage.

Since I was a boy in York County — just listen to this — I was thinking about this just as earlier this morning — healthcare. Healthcare since the 1960s is up 23.4 times — that's not 23.4 percent, that's 23.4 times. Housing is up 11.7 times. That's a middle Atlantic region figure, not just York County. Now, even more importantly, tuition at Penn State — Penn State is an excellent university, it's the center of state, State College, Pennsylvania, and it's a land grant college that was meant to be initially — and it was meant to be today — a school where lower and moderate income kids can get an education for much less than the private schools. So it's meant to give them a chance, a way out of poverty, way to seize the American dream. But tuition at Penn State has gone up 35.3 times what it was in the 1960s. You know, if you add in living expenses, housing and food, it's almost \$40,000 a student.

Now, when I went to school, I went to Haverford College, which was a private school near Philadelphia. My dad was a country doctor and it was a stretch for him to pay \$3,300 a year for tuition, room, and board, the whole 9 yards. That's not \$40,000. so the CPI is up 8.67 times what it was in 1960, all right, but the cost of healthcare is rising 3 times faster than the CPI, the cost of housing 1.5 times as faster than the CPI, and the cost of tuition is rising 4.5 times faster than the CPI. And that is the heart of what matters to middle and lower income Americans in order to seize the American dream.

Now, my second takeaway from this — so this —

MS. SAWHILL: Wait, Gene, just to remind you, we are almost out of time and you might want to say something about solutions before we have to turn it over to the next panel.

MR. LUDWIG: Well, so take whatever the symposium — there's a clear consensus in the book — this is pedestrian — but everybody agreed it's not about handouts, it's jobs, jobs, jobs.

MS. SAWHILL: Yes.

MR. LUDWIG: How we get those jobs in an enlightened American business is both

discussed in granular detail in the book and more will be in a second symposium I want to have.

Now, Bel, in terms of suggestions in the book, my own areas of expertise are finance and regulatory effectiveness and efficiency. There are suggestions in there about that, but, indeed, perhaps more important are suggestions in the book by others about all kinds of different solutions, infrastructure, spend, get us started, education so that people can take advantage, you know, of the next generation of technology and how that affects local and national needs. If you educate everybody in New Haven, Connecticut to the nines in high school, nobody is going to be there in the next generation, so you've got to basically have a different kind of educational policy and broader jobs opportunity. Trade policy. Insurance. Interestingly enough, Bob Schiller has some brilliant thoughts in the book about using insurance tools in new ways that can actually help put a floor under a whole bunch of different things for middle and low-income Americans.

So bottom line, read the book and come to the next symposium. If there were more time I'd go into all the intricate, you know, things that have to be done. But in one sense it's very intricate, in the other sense it's very easy. It is about jobs and, Bel, you've asked me so where are we going to get the money to spend on this. My answer is this is World War II level of need and we always seem to come up with money — or more easily come up with money when we're talking about upper income issues. We ought to come up with money to fight this enormous problem for middle and low-income Americans. And we ought to be doing that in a way that recognizes that for black Americans the problem is worse, it is deeper, and while the Fed has done something recently of great importance in its policy shift to focus on full employment, the Fed has got to be given more accurate numbers on how bad unemployment really is and recognize full employment is not about part-time poverty work, but really full-time jobs with a living wage. And that's full-time jobs, not just for white Americans, but about all Americans.

And, with that said, I thank you. I hope everybody will read the book and come to the next symposium. And, again, Bel, thank you and Brookings for an opportunity to discuss briefly these important subjects.

MS. SAWHILL: Gene, thank you for stimulating this conversation and writing this book. And I'm very interested to hear you've got follow on activities planned. So I'm also glad you finished the conversation by mentioning the Federal Reserve's new approach to monetary policy, which I suspect the

next panel might get into.

And, with that, I want to turn this over to my colleague, Stephanie Aaronson. Stephanie is our vice president and director of Economic Studies, and I am especially appreciative of her willingness to join us today because I know how incredibly busy she is.

So, Stephanie, over to you.

MS. AARONSON: So I'm very excited to moderating. Since Richard already briefly introduced our panelists and since time is short, I think I won't spend our time doing that, but people who are interested can look at our website to read everyone's biographies in full.

And, with that, once I see everyone — we have Chair Yellen, Sarah, and Jay — great. So I think we can just get started now.

So thanks to everyone, all our panelists, for joining us here today. This is just a question for everyone. We can go in turn. Gene already laid out a bit what he viewed as some of the challenges, but I was hoping to set the scene for our discussion. You could each spend just a couple of minutes talking about what you see as some of the primary challenges facing low and moderate income communities today. What prevents these communities from thriving? And if you could, can you also address whether the Covid-19 pandemic has changed your understanding of the challenges facing these communities?

Janet, why don't we start with you?

MS. YELLEN: Thank so much, Stephanie. And let me just say it's a pleasure to be part of this today, and congratulations to Gene for the book and for stimulating a conversation on these important topics.

Well, as Gene said, the problems to my mind are rooted in the job market and they particularly affect those who lack a college education. The numbers that Belle showed include taxes and transfers, if you just look at wages, the wages of the median male have been completely stagnant over the last 50 years. And for white men without a 4 year degree, median earnings actually fell 13 percent in real terms over the last 50 years.

Now, as we've gotten deeper into the recovery, in recent years we have seen some turnaround in wages at the bottom end of the distribution, which is terrific. But when we put that in the

context of 50 year and substantial long-term decline, that's really just a modest improvement.

It's not just about wages, it's about the quality of jobs, a disappearance of long-terms jobs that offer decent wages and benefits, healthcare and pensions are just disappearing for people without a college degree. And that was once upon a time the foundation of a meaningful life. Manufacturing jobs have been replaced by service sector jobs that are often very insecure. And as firms have increasingly outsourced lower level jobs, I think the connection of workers to firms where they work have eroded and people find themselves in jobs where there is very little chance of upward mobility within the organization.

The deterioration in the job market has caused many prime age men and women to leave the labor force entirely and the social and cultural implications have been very far reaching. It has impaired communities and diminished the services they provide, and that would include the schools, as gene has been talking about in the community that the grew up in. Maybe more importantly this goes beyond money. We have seen a breakdown in marriage and family stability, in ties between particularly men and their children, and a real sense of despair or loss of meaning, dignity, and pride that really comes from having meaningful work. A sense of hopelessness that the next generation — that inter-generational mobility has declined, and the data is certainly consistent with that. And with poorer prospects, it becomes just hard to send kids on to college or to get additional education. And so inequality is producing gaps in educational achievement that tend to widen over time. And then on top of all of that we have the opioid epidemic, increase pain levels, and increased depths of despair.

So it's a bad set of —

MS. AARONSON: (Laughing) Yeah, you have painted a very grim picture for us.

Sarah, do you have anything you want to add to that?

MS. RASKIN: Yes. And, again, thank you for doing this. Stephanie, great to see you and it's great to be on this with Janet and Jay.

Let me just add that pre-pandemic, you know, even before the pandemic, there was really a notable and significant inability to save for economic hardships. So just to review kind of where we were pre-pandemic and then indicate that the pandemic has really tipped over already a teetering middle class into much greater hardship, I just want to remind listeners that almost 1 in 4 Americans had less than \$400 in savings, 1 in 3 black households had 0 assets. Again, pre-pandemic, 17 percent of

Americans couldn't pay their current monthly bills in full. And we know from a Pew research study that 27 percent of black adults have an emergency fund sufficient to cover 3 months of expenses, but similarly, white adults have a much bigger emergency fund cushion. Their cushion for 3 months is approximately — they have a — 53 percent of white adults have that cushion. So we see also pre-pandemic a racial gap.

So what essentially has happened with the pandemic is it has tipped this already set of fault lines into much greater hardship. And incidentally, you know, I've done just a little deep dive into two sources of kind of where that hardship lies right now. I had a discussion actually with a food bank, okay. So a food bank right now — and this is a local one — is extensively stretched resource wise. So one food bank I spoke to had about 3,000 households pre-pandemic, coming in for food. That number in one month grew from 3,000 to 4,200 households a month. So this is again a significant — a 40 percent increase just — you know, this is just one food bank. But essentially a food bank in a fairly affluent area. When I spoke to that food bank, learned also that they had because of the pandemic removed eligibility requirements. So pre-pandemic there was a certain level of eligibility. Because of the pandemic, took eligibility requirements off and with those eligibility requirements even removed saw such a significant jump.

Another interesting sort of ground level data point, Stephanie, that I'll end with is if you overhear what kind of calls are coming into a congressional office say, you will hear essentially different buckets of concerns. You hear, of course, about these overdrawn food banks, you hear about food insecurity, but you're also hearing people calling in for help with evictions, with debt collection calls that they're getting, and car repossessions. So the number of calls that have increased from people with those kinds of concerns has vastly, vastly increased.

And then a final category of calls has to do with calls — people thinking that there is another stimulus coming. You know, I haven't received my second stimulus check yet, when would that be coming. And, of course, we know that there has been no legislation for a second stimulus check.

So on the ground, seeing really quite a teetering set of challenges for people —

MS. AARONSON: Thanks for that perspective.

Jay, do you have anything else you want to add here in terms of the causes, the

challenges?

MR. SHAMBAUGH: Sure. First I'd just like to thank to thank you and Bel for organizing and having me here and thank Gene for inviting me to that symposium back at Yale 18 months or so ago. I really recommend the book to people. It's an interesting book to read.

In terms of looking at the primary challenges facing lower and middle income Americans, I completely agree with Janet that the primary issue is that the American labor market does not generate good and well paying job for people with less education anymore. The one thing I would add is the way it really hits at the community level. And I think this does actually tie to some of the things Gene and Bel were talking about, about say York, Pennsylvania, is that the best predictor of a place struggling is that it's a place with less education, measured both by a lot of people who don't have a high school degree or not having very many people with a college degree. That was true in 1980, it is still true today, it's the thing that predicts that you are doing worse today than you used to be doing. And to be clear, that's not blaming those places, it's saying that some combination of a lack of worker bargaining power that has led to worse economic outcomes for people without a college degree still buys technological change that raise the returns for the high education versus low education. And I think, importantly, trade shocks that in the last 20 years have hit low education communities in ways they didn't used to. So it's not kind of imports from Japan or Europe impacting kind of higher education place. Over the last 20 years it's been imports from China that have really primarily hit low education places in the United States.

And so I think when you put all those things together what you find is — you know, in the early '70s you were a low education place or a high education place you were equally likely to have a high or a low unemployment rate. There was just no correlation. And that's not true anymore. Now it is far more likely if you're a low education place you have high unemployment rates and vice versa.

The last thing I would maybe add to this is that there is also a really important overlap between racial inequality and regional inequality. We are clustered where we live by race and ethnicity, in part because of systemic rules and laws that encourage that. And so when you've got systemic racism affecting the economic outcomes of people by race, that then can kind of magnify at the community level because then you have a whole set of people who have had obstacles in their way in terms of building wealth, in terms of building education, the safety net doesn't work as well, and a whole host of things.

And so I think that that last piece, that if we're worried about lower and middle income Americans, especially struggling by place, it's really hard to address that without addressing the barriers that race brings in.

MS. AARONSON: Great. Thank you. That's actually a great lead in to my next question. So, you know, people had the opportunity to write in ahead of time with questions, and everyone wants to know what are your solutions. And so I would like each of you to take some time to talk about what solutions you have in mind. And I'm particularly interested in this question that Jay alluded to, which is what is the right level of government at which these solutions should be implemented. Are these largely things that can be handled at the state and local level, is there a role for federal policy making, is it fiscal policy or monetary policy?

So I'm interested in hearing solutions and sort of, you know, given that, as Jay said, a lot of this is community, really in localized communities, what's the appropriate level of policy.

So, actually, Jay, if you want to start that, that would be great.

MR. SHAMBAUGH: Sure. I'd say even though I think the problems often cluster by community, there are certainly things that can be done at the community level, but I think there's a huge amount that has to be done federally. That there are ways in which the American economy does not function as a single economy in ways that it used to more. There's less mobility, there's less sharing of gains across play.

So I would say to me the biggest thing is to fix the low end labor market of the United States. You know, whether that's raising the minimum wage, improving worker bargaining power, and improving unionization rates, increasing training, but also just things that kind of — and some of these things operate at lower levels. You know, making the labor market a labor market again. So getting rid of non-compete contracts and working against using antitrust rules to try to make sure that low end labor markets actually function as markets and people can actually see their wage rates rise. So I think that's one thing.

But then there's also an issue — I don't think that fixes everything. That certainly helps some people, but then there's also just — there's a lack of labor demand in a lot of communities. The employment-to-population ratio in the bottom 20 percent of counties in the U.S. is 15 points lower than it

is in the top counties. In the Great Recession that number fell nationally by 5 points and we all freaked out and tried to say how are we going to stop this massive problems. It's like these communities are facing three Great Recession shocks relative to the top. And so I don't think you can ask them to just fix themselves. I think you need to do something to raise labor demand in those places. And I think there are lots of ways you can do that with targeted policies and whether it's subsidizing wages, connecting universities and venture capital to those communities.

But maybe, really quickly, the other thing I would say is we need also to raise the dignity of some types of work. Care work in particular I think is a great example where you could raise training and wages and stability in those jobs. And that would have a massive impact on a lot of lower income Americans, but also ensuring the safety net works for when the employment market doesn't. And I think in Covid we've seen — like I don't think any of us could have fathomed that the safety net would have operated this badly and this many people would be struggling. I think it's 1 in 5 families with kids say they don't have enough money to feed their kids over the summer. And that's just shocking.

And then lastly, and I'll leave this more for the other participants, but we need better countercyclical policy. The low-income Americans and the low education Americans get hit harder in recessions and as recessions linger they get hardest. And so we need to do everything we can with both monetary and fiscal policy to try to stay out of persistent holes in the economy. And, you know, to Sarah's point right now, we need to do something to make sure we get out of the hole we are in right now as fast as possible, because it's the most vulnerable who struggle when we do. And that's absolutely a federal issue, not state and local.

MS. AARONSON: All right, Sarah, do you want to pick up from there?

MS. RASKIN: Sure. And I would agree with everything Jay said. The only thing I would fill in is, you know, I think that we could be looking at our safety net rules a little more closely now. For example, if you look at say the social security asset limitations, right now they are — you know, we have asset limitations of \$2,000 for an individual, \$3,000 for a family, which means of course that if you have assets exceeding those amounts you are not eligible for particular social security benefits. And, as a result, what we are seeing is that people are spending down their savings in order to get needed benefits, okay. Well, that actually has turned out to again present, you know, a troubling racial gap where you see

white households really getting more from public assistance programs than black households and, again, a sustainability to this racial wealth gap.

And so I think, you know, for that reason and others we could be reevaluating the federal rules that are coming into play right now regarding our safety net.

Also, I think that in order to help the middle class we need to help the businesses that they work in and that they actually start. And if you think about the spectrum of business assistance that is being provided right now as a response to the pandemic, you know, you have businesses at the top end that have deep capital market access and they are being I think assisted quite well. And you have at the other end of the spectrum very, very small firms that tried to take advantage, and some fortunately did take advantage, of the Paycheck Protection Program and those firms have had some assistance. And in the middle, of course, there's been an attempt to kind of figure out how to capture kind of these middle sized business. But what is happening is that we are losing a lot of small businesses. And that is actually an important driver in our economy. And if we are not paying attention to the evenness, I would say, of the assistance that we're providing businesses, I think we are going to lose — you know, we are going to lose the ability to actually rebuild a middle class.

MS. AARONSON: Thank you.

Janet, you want to talk a little bit about the solutions you see?

MS. YELLEN: Sure. And I agree very much with the points and suggestions that Jay and Sarah have made.

I would emphasize investment in human capital is critically important to creating a better job market. Access to college is tremendously important. The divide in wages between employment growth, between those with a BA or more and without is only grown over time. And college enrollment has increased steadily, but actually college completion rates remain very low. And I think the college dropout problem is something that needs to be addressed. Nearly half of all students that matriculated a four year institution failed to complete their degrees within six years. But we need to attend to how to create a rewarding work life for those who don't get a BA. And many other countries do this much better than we do in the United States. In many European countries where the same forces are at work, we haven't seen the same erosion in the quality of life.

And so I think thinking about training and re-skilling for people who don't have college degrees. I think colleges can play a very important role in providing accessible and flexible postsecondary education and mid career training. I've seen many examples in recent years of partnerships between community colleges and businesses where students in programs are linked to jobs and employers. I think there is a role for apprenticeships, for retraining programs.

Finally, I mentioned — Jay mentioned this and I would add that I certainly agree with this — doing everything we can to ensure a full employment economy ad the Fed's recent annunciation of a new framework for monetary policy. Employment has always been important, but it is yet more important in this framework. And I think what we have seen during this expansion, when you think about the fact that unemployment fell to 3.5 percent, a 50 year low, and we didn't see inflation pick up at all, and it drew people into the labor force who had dropped out. I think trying to achieve a full employment economy is critically important to bring people back into the labor market to create the networks, the training, that will reconnect them with meaningful work.

MS. AARONSON: Great. Thanks. I'm glad you brought that up. That saved me from having to ask you.

So I think it's time now when we're supposed to turn to questions from our viewers. And luckily one of the questions that we received was also already on my list of things to ask that we hadn't gotten to.

So, you know, I think one of the questions is, you know, in some ways I think all of us a little bit know the answers to some of these questions, we know that jobs are very important. And the question is sort of what's been holding us back in this regard do you think? Like why haven't we made more progress over the last decade or so along these line? You know, are there policies or politics that have contributed to our ability to make progress? And, you know, what are some things that could change that?

Sarah, do you want to — that's a tough one (laughing). I don't know, does anyone want to jump in here? Jay, are you —

MR. SHAMBAUGH: Sure. I would say I think one thing that held us back, especially when we think about the regional issues, is a belief that the U.S. labor market works and a belief that

mobility takes care of things and that, yes, shocks happen in places, but then places either rebound or people move and that all works out fine. And I really do think some of it is just a lot more attention to thinking about the problem and looking at the data and realizing that that's just not a good way to think about the economy, that the economy doesn't heal itself. Even if it's healed at the national level, it's not healing itself everywhere or for everyone. And so we need to do something about it.

I think in terms of the other reason, why not, is I think there's a huge amount of skepticism about some place based policies. I think there's a view that they get captured quickly by politics and that they just reward rent seeking and they don't really help the people that need the help. And I think that's actually accurate when you look at many of the policies that have been tried. And so I think one of the issues is trying to find the policies that work better. I think there are policies, it just requires some work.

But I would say the other thing is I think there is also in some parts of our politics a deep skepticism about the view that the government should do something to help the economy or help people and the view that, no, just let the economy do it on its own. And so that skepticism I think often kind of rears up when you're in a recession and people say, no, no, we did one thing first, now we should just let everything play out, instead of recognizing, no, we're still in a deep hole right now. There are over 11 million fewer jobs than there were in February. We should be doing something about that. We can't just say, oh, let's let the economy run.

And so I think there has been abuse sometimes in parts of our political spectrum that you don't want to have a strong safety net, you don't want the government doing a lot of things, you just want to get out of the way. And I think that does sometimes stop us on our countercyclical policy and it sometimes stops us from investing in communities that really need help.

MS. AARONSON: Thanks.

Another question that we've gotten is actually something Janet alluded to, which is, you know, what can we do to shift the mindset of who is a valuable worker, what is valuable work. I mean I think this is something that has struck all of us in the pandemic as we've seen these essential workers who work in I think occupations that previously received very little respect, are not well compensated, where the working conditions are often very difficult.

And so I think a question of sort of how has occupational segregation sort of contributed to these problems, the lack of education, and what can we do to sort of improve these jobs and sort of revalue them?

Anyone want to — Sarah, are you —

MS. BLOOM: Sure, yeah. So one of the things that we've lost I think is this notion of you having a social safety net that promotes resilience, right. So we think that the economy is going to just somehow magically turn on again without any sort of lubrication, so to speak, as if it is this on/off switch and sometimes it's down and sometimes it's up and we just need to go through those changes. And it turns out that really there are contextual features that come out through the way we have set our rules and the way we have set our policies and the way we invest in the delivery mechanisms for the way in which these — you know, assistance is provided in. And then of course discrimination, right. And all of these forces really are forces that remove the ability of an economy to bounce back. It removes the ability of an economy to be resilient. And we have not paid attention to those sufficiently. We have in essence — and I really don't want to say we, but I think that in particular we've seen this in the last Administration — a complete hands-off approach on what the context is for promoting resilience. And because we haven't promoted that resilience, we don't have the ability, we aren't seeing the ability of people of firms when they are knocked down to immediately stand back up. And I think that is kind of a — sort of an overall picture that we have to keep in mind.

In terms of the issues that — the questions about what are we actually going to do to create a more — you know, more dignity in jobs and be able to value jobs more. I mean of course we have to — you know, we have to look at the structures that have been put in place. There was a really interesting piece a while ago I remember that Neil Irwin did at the *Times* where he tracks two janitors, right, and he sees how there are these two janitors, you know. One ascended to actually become almost somebody in the C-suite and another stayed a janitor. And one was a janitor, you know, from years ago at Kodak and the other was a janitor who worked for Apple. And of course the difference between the mobility of the two janitors had to do with the fact that one of — you know, that Apple had outsourced its janitorial work, so that a janitor who worked for Apple was probably always going to remain a janitor, could not aspire to be in the C-Suite of Apple because he or she wasn't an employee of Apple.

So there's a lot of structural issues in the way businesses have organized themselves and, of course, they're responding to various incentives and rules that have been set out by policy, but these have made a difference in the ability of people to be mobile.

MS. AARONSON: Great, thanks.

Janet, did you want to chime in here? We have time for like a couple of last minute comments?

MS. YELLEN: I'll just add one thing to this conversation. I found very interesting the research of Daron Acemoglu with MIT and one thing he has pointed out is that our tax code is full of incentives for investment in physical capital and we're really subsidizing automation, and often automation that is not all that productivity improving for the economy as a whole, but that does a lot to take away job opportunities. We tax labor very heavily, we tax capital very lightly, and thinking about ways in which we're encouraging the adoption of technologies that reduce the role of labor. And, you know, especially in this pandemic when firms have a tremendous incentive anyhow to economize on the use of labor because of health concerns. That's something we need to be particularly attentive to.

MS. AARONSON: That's a great point. Thanks.

Okay. I think our time is up. So thank you all. This was a really interesting panel. And I'm going to turn it over.

MS. SAWHILL: Good morning to our last panel. Great to see all of you. We have the clean-up job here, but I think our conversation can be one of the most interesting of the morning.

This is a very interesting and diverse group in terms of perspectives on some of the issues we've been discussing. I'm going to call on you one at a time, starting with the governor and ending with Oren Cass.

So Governor Patrick, we know that you were governor of Massachusetts for quite a number of years. You then made a short run for the presidency this year before Biden secured the nomination. And I have also read your autobiography, which tells the amazing and uplifting story of how you started life in a very poor family on the south side of Chicago and eventually managed to graduate from Harvard Law School and hold many prestigious leadership positions. You are currently the chair of the Together Fund that supports progressive candidates and grassroots working groups. And you're

interested in turnout amongst the disenfranchised and marginalized voters in this next election.

I also note you've worked on civil rights and on police reform, and given what's been going on recently, I think people would be especially interested to hear your thoughts on those issues as well.

So I've mentioned the issue of voter turnout, I've mentioned the issue of police brutality and the need for reform, and finally, I want to mention that when you were governor you tried to make community college free for all high school graduates. I think that failed, but I'd love to hear your thoughts on that and also your thoughts on national service, which I know you're also interested in.

In our new book on the middle class, Richard Reeves and I propose two years of free college for anyone who completes one year of national service. And I was interested to see in Gene's book that he also talks about the fact that there's nothing in the Ten Commandments, as he put it, that prevents us from thinking about public financing of education beyond the level of high school.

So I don't know how much time you'll have, but love to hear your thoughts on any of those issues or others you'd like to address. And I welcome and thank you for being here.

MR. PATRICK: Belle, thank you so much for the warm welcome and for including me, and to Gene for inviting me to join in with so many deep thinkers and doers when we were together in New Haven — I guess it was last year. And thanks to Brookings for hosting this.

I want to start, if I may, Bel, sort of back in my beginning and build off of the last panel, which was so rich and helpful. You talked about my own experience growing up in poverty and having the experiences I've had to go to college, to work mainly in the private sector in business and in law practice and then to serve as governor, to work in civil rights. I have lived the American dream. And so I have I think a stake in investing in it. But the reason I think — and in recovering it — the reason I think we all ought to care about it is because that whole idea of economic mobility that you can imagine a different station for yourself and your family and then reach for it, that is who we are, that is a uniquely American phenomenon.

I've told this story about our youngest daughter, Katherine, who was in kindergarten in Washington when I was working at DOJ and they were learning the differences in the seasons and her homework assignment was to come home and describe the four seasons to mom and dad. And she

proceeded by saying first you drive up and the doorman takes your car and then you walk in and there's a great big table full of flowers. And she was describing the Four Seasons in Washington D.C. (Laughter) And I remember Diane said to her, sweetheart, that's exactly right, but that's not what they're asking for. Five years old, right, one generation. One generation and the circumstances of our lives had completely changed and our family's life. And while that story is not told often enough in America and not told as often as it once was in America, it's told more often here than any other place on earth. That is who we are. And so we all ought to have a stake in investing in what it takes to make that economic mobility real.

So I got my chance in part, yes, because of grit and determination and a great family and other adults who paid attention to me and personal responsibility — all of that, but also there were food stamps when we were hungry and public housing when we needed it, and a public hospital when we needed to see a doctor, and a program that enabled my mother to get her GED, having dropped out of high school, and get a great job at the post office. There were low interest loans and indeed scholarship grants to enable me to go to college. And we had an economy that was expanding out, not just up, and was interested in people like me and talent like mine.

And so I think the notion of reinvesting in education, innovation, and infrastructure, the kind of things that enable an economy to grow out and to enable people to help themselves, is critical. That was the context in which we proposed the reform of our community colleges. And I will qualify it by saying I'm not one who believes that education is just about preparing employees, but I do believe that the middle skills is an area where there's tremendous opportunity and tremendous unmet needs. It was true in Massachusetts and I think increasingly everywhere. And that the community colleges have and had a real opportunity to help us get ready, particularly if they were collaborating with businesses.

The part we were able to get done was to invest more public money in public higher ed so that those costs could be moderated — they have been going up exponentially, to a point that Gene and others have made — and to get more robust collaboration with the business community.

And then, finally, I am a great believer in the importance of national service. If I had my druthers we'd do it on a mandatory basis the way Israel and some other countries do. I think the idea of broad-based civilian or military service is important in helping us meet our unmet needs. But also, frankly, one of the reasons why I think it's so easy to divide us in this country is that we don't know each other.

And that having the opportunity to work alongside others from other parts of the country who come at a set of facts differently, whose perspective and experience and background is different, and learn how little of that difference is material in the end and how much we have in common, I think is a critically important and helpful thing, particularly if it is enabled by a livable wage, and healthcare, and childcare and so forth, as you were serving.

So trying to cram a lot of thoughts into a few minutes, but I hope I haven't taken more time than I should.

MS. SAWHILL: Not at all. Thank you. And we can come back to some of those points and other points, but let me turn to Jacob Hacker next.

Jacob, you're one of my favorite political scientists. You teach at Yale, you were at our Yale meeting where I especially recall you arguing that it may be time to bring back revenue sharing. And I was thinking about that recently in the context of the debate going on in Congress. Right now we know the states are in big fiscal trouble and in need of resources. And I'm interested to know if you think anything is going to happen there and they're going to get some help from the Federal Government.

I also want to mention that you have a recent book, which I've also looked at, written with Paul Pierson, your normal co-author. It's called "Let Them Eat Tweets". And in it you argue that we now have what you call plutocratic populism. And as I understand the argument, it's that the current Republican Party has become a kind of unholy alliance between wealthy elites, who give heavily to the Party but expect more tax cuts and more deregulation in return, and also a group of rural and working class whites who are motivated by cultural anxieties about race and immigration amongst other things and vote Republican as a result.

So with that as background, just want to get any comments you have on that or other issues.

MR. HACKER: Yes, thank you so much for this great event. Brookings is doing a great service in hosting it and I'm also really grateful for Gene for bringing us all together at Yale and then here.

And I will say that, you know, having listened to the event so far, we haven't talked a whole lot about politics, and we have talked less than we probably should about federalism, two issues you brought up. So the point I want to make, you know, if nothing else comes through is that the kinds of

economic strains and challenges that we're talking about are no inevitable. There are these big forces that are clearly at work, both demographic and economic. But the way in which those forces are dealt with really is a question of politics. And I don't think anybody will dispute that our politics has been failing us in terms of providing good responses to these serious challenges.

And so with regard to the prospect for significant relief for the states, unfortunately things don't look so good right now. And I think that's really indicative of the ways in which our politics has been mired in gridlock. And gridlock is not neutral, right. It has been deeply corrosive, it breeds popular distrust of government, leading to helping make the appeals against government more resonant and I think further sort of creating the vicious cycle of distrust and withdrawal in politics that we've seen among many citizens. But it is also the case that we need — as the governor was saying, we need to have an active response to many of these problems, and when our political system can't act, that really means that we're falling behind, not just staying in place.

So with regard to — in my view, if you look across countries, the U.S.'s form of fiscal federalism really leaves the states on their own in a way that is destructive of the kind of counter cyclical policies you need in downturns and also in terms of the kind of redistribution you need across states to make sure everyone has an opportunity to have the kinds of supports and security that's necessary to achieve the American dream. And right now, of course, the states are just facing catastrophic revenue shortfalls that are going to lead to cutbacks at the time of great economic need.

So the last thing I just want to say quickly — you mentioned the book — is that obviously the Republican Party has, as we argue in the book, become a kind of strange creature in the contemporary era that combines these big tax cuts for the rich with a kind of outrage politics that is often focused on racial and cultural backlash. And we think this has a lot to do with with the demographic changes our country is facing, but we also think it has a lot to do with inequality. So Paul and I have been thinking about the way inequality reshapes our politics over the last generation and we think that too often people forget that politics — the inequality doesn't just affect the well-being of citizens as we've been discussing today, but also it shapes the incentives of parties. And the Democratic Party has been cross pressured by rising inequality, as Richard Reeves has really eloquently written, and as we wrote about in our book about money and politics, "Winner Take All Politics". But the Republican Party has been

radicalized by rising inequality because it has had strong incentives to stick with these top heavy policies that help those at the top, but it also has needed to gain and deepen its allegiance among the white voters, particularly white non urban voters it relies on.

So if we're going to build a multi racial democracy, and we have to, then we need the Republican Party to become a multi racial party that is more moderate and constructive on economic issues. And I'm thankful that Oren here is today because I think he's really part of this effort to try to bring the Party to addressing some of the core issues that are affecting the very constituents on which they rely.

SPEAKER: You're on mute, Belle.

MS. SAWHILL: Sorry, I forgot to unmute. But I was saying that I thought that was a great lead in to talk to Oren Cass. Oren has been a scholar at the Manhattan Institute and an advisor to Mitt Romney and he has just started a think tank called American Compass. It's going to be devoted to rethinking the future of conservatism in America. And so I think it's a wonderful follow on to what Jacob just said. And I'm sure Oren has some different views than Jacob.

I think a lot of people thought are disturbed about what has been happening to the Republican Party of late and my assumption, Oren, is that you are trying to bring some fresh thinking to what it means to be a conservative these days.

So please tell us a little more.

MR. CASS: Yeah, sure. It's great to see you, Belle, and Gene. And, Brookings, thank you for hosting this and, Jacob, for your kind words a minute ago.

You know, I think exactly as you framed it, Bel. There is a lot of work happening within the right of center and among conservatives about — both in terms of politics and substantive policy. What does the future of the right of center look like? You know, Trump — I don't know if Trump is — even gets an "ism". I don't know that he is an idea as much as a person. There is Trump, but then there will be after Trump, and that's a fight that will really be joined in full right after election day, whether he wins or loses — what comes next. And certainly there is a lot of institutional momentum behind the idea that we should really just go back to what it sounded like before Trump, but I think that is correct on the merits or as a politically plausible matter. I think there are a lot of very important things that Trump

brought to the surface, not necessarily in terms of concrete policy proposals, but in terms of the issues he raised and the concerns that he spoke to that were obviously genuine and widely held concerns and ones not really being addressed anywhere on the political spectrum.

And so my view is that certainly there is a lot of work to do on the right of center in developing politics and a policy agenda that really focuses on exactly the set of issues that we've been talking about here today, but also that it's an incredibly bipartisan problem. I think if we lived in a world where the Democratic Party was meaningfully responsive to these range of concerns in economic terms, for that matter in cultural terms, we wouldn't be in the place we are either. And I think what we've seen across the political spectrum is a real belief that essentially as long as we keep raising everybody's material living standards they'll be happy. And it doesn't so much matter how we do that. If fewer and fewer people generate the wealth and the income and we have to redistribute, then so be it, that can be fine too. And that's not I think what people are looking for. I think there's a very real and genuine economic frustration that the economy is not generating widely shared prosperity and that our institutions are not providing the kinds of supports that they did in the past and that they need to.

And so from my perspective, anyway, and the theory of American Compass is that these are bread and butter conservative issues. That what we call conservative economics in America has really become almost entirely Libertarian and not concerned with the things that conservatives would focus on, and that there is a real need for a strong conservative argument about refocus on family and community and place and healthy institutions, whether that is public center institutions, labor, education, the military. All of those institutions that shape how our Nation operates and how the market operates. And that policy makers, frankly, I think have not attended to in the quest for ever more efficiency and growth. And so that's what we're trying to bring back to the conversation.

MS. SAWHILL: Well, thank you so much. And I look forward — I think all of us probably look forward to hearing some new ideas coming from American Compass and from you and your colleagues. I think they are badly needed.

I want to now turn to the future. Some of the questions that have come in are about what happens in America post pandemic, what happens should we have a change of administration and Biden should become president and Democrats should suddenly have more power than they do right now. And

I think a lot of people are thinking — or would like to know what everyone thinks about both the economy and our politics moving forward. If Biden is elected are we going to build it back better? Or is it going to turn out that our divisions are still so great and our political system so dysfunctional that even if we have a new president he's not going to be able to get very much done?

So any thoughts on all of that? And also, Governor Patrick, I'm going to call on you first because I think we didn't give you enough opportunity to talk about everything that might be on your mind.

MR. PATRICK: Oh, great.

MS. SAWHILL: So over to you.

MR. PATRICK: Wow. Well, I —

MS. SAWHILL: You don't have to answer all those big questions. They're all very speculative.

MR. PATRICK: Well, I'm inclined to yield to Jacob and Oren because I think they are just so thoughtful and it's marvelous to listen to them and to be able to imagine the bridge that can be built between their respective views. Because I do think there is a bridge and I think building that bridge is going to be critical.

I think that there are three broad solutions — maybe four — I'm looking for and hoping for. One is an industrial policy, which we haven't really had, not in explicit terms for some while. And that policy in my view would be about emphasizing mobility, inclusion, and transition. And by that I mean we're pretty good historically in America in innovation, in the new thing, but we stink at transition. We get around to the impact of the new thing later, if at all, rather than affirmatively as we are moving to the new thing. And I have some ideas and examples about that. I think Jay was touching on some of those ideas in the previous panel.

Collaboration I think is critical. I think the scale and scope of the challenges that face us and that face the world are such that having only one sector responsible for solutions is a mistake. That we can leverage relationships with business and nonprofit, with the academy, with workers, and frankly engage as an important byproduct a much more productive notion of what citizenship really means.

And, third, is my point about investment. There are certain things the public does, or ought to do, that enable people to help themselves, that enable economic mobility. And that is investing

time and ideas and money in education, pre-K right up through public higher ed, in innovation, in policy, and in innovative industries, where I think job creation in America has a real edge, or can have a real edge. And then in infrastructure. Everything from roads and rails and bridges to broadband expansion and modernizing. You know, we have wooden water mains under Boston — wooden water mains under Boston today.

MS. SAWHILL: I can't believe it.

MR. PATRICK: Not everywhere, but we still have them and we still use them. But I think of infrastructure as including healthcare, for example. Basically it's all the things that public builds for each other that enable personal ambition and private investment. And, of course, that means that we're going to have to have the conversation about revenue and taxes and not be so stuck on this notion, this taxes is a penalty rather than the price of civilization.

The fourth thing, and I'll just say this very quickly, is we have to fix our politics. And that isn't just a level and degree of civility for which we are all hungry, or most of us hungry I think. And it isn't just a reminder that so much of our democracy relies on unwritten rules, right, around decorum and restraint and respect and a sense of duty, but the ability to participate if you are able to surmount your justifiable cynicism about whether it's worth it. We have made this harder and harder. And I would say — and I say this as a Democrat who doesn't think you have to hate Republicans to be a good Democrat — I would say largely driven by a national Republican agenda to make it harder. And it ranges from hyper political gerrymandering to the amount of money, so much of it dark, in our politics today, to vote suppression, in all kinds of creative and insidious ways all over the country, the purging, how much harder it is to get and keep your registration, to changes in the Voting Rights Act and beyond. We've got to make it easy to participate so that we can really influence in a democracy what we should be able to influence, which is to get the government we deserve. And it should reflect the best of who we are and the best of where we want — whom we want to be.

MS. SAWHILL: That was terrific.

So, Jacob and Oren, can we fix our politics? Jacob, why don't we start with you and then let Oren also talk about that. And I really want to emphasize something the Governor said, and which I think we probably all agree with to some degree or other, and that is we do need to build bridges between

the two parties. And a real question is can we do that? That's a tough question.

MR. HACKER: Yeah, I mean there's no question that the challenges are great. The parties are farther apart than at any point they've been since, you know, right before the Civil War, according to the metrics. And the evidence is pretty clear that the Republican Party in particular is caught in a kind of — sometimes call the doom loop of polarization, but a vicious cycle in which its most extreme elements have the capacity to cow those that would like to move towards a more moderate position.

You know, I do think the point that the Governor just made is really fundamental, that it's going to be a question of both economic and political reform. As I said before, inequality threatens our democracy. It threatens it in two ways. One which we recognize really well and one which I think we're trying to bring out in this book, "Let Them Eat Tweets", that's behind me.

The one we recognize is just the point that if you have most of the growth going to the top, if you have companies consolidating, if you have job opportunities disappearing as the knowledge economy concentrates grown in urban areas, then you have lots and lots of people who are ripe for distrust, ripe to respond to demonization, and in many ways understandably so. But, as I said, it's also true that inequality just affects our political system writ large. With the infusions of money we see, both parties have been reshaped and the Republican Party has been reshaped in a way that's really fundamental and I think leaves it at odds with its own constituency in many cases and therefore subject to this kind of really kind of grim dynamic that's played out under Trump. Grim dynamic is the academic way of saying it's not been a pretty picture.

And let me just say that I'm optimistic in a deep sense, and for two reasons. One, the knowledge economy is producing enormous amounts of wealth. It's just not being distributed very well. There's a lot of money on the table. And, indeed, I think we're at the first point in my lifetime where it's just a popular policy almost across the ideological spectrum to put modestly higher taxes on the rich to be able to finance some of the essential investments we need to do popular things. And I hope that we will do that. You know, Adam Smith said taxes are a badge of liberty. We should remember that they are part of the civilized society, as the Governor said.

Second reason I'm optimistic is that as I said before, I don't think this is sustainable. So I'm fearful for our democracy, but if we can hold our democracy together, I think there will be very

powerful pressures on both parties, and particularly the Republican Party to move into a multi racial world where the kind of more moderate thinking and problem solving, creative problem solving that Oren is talking about is more central to the party.

And I'll just say, because I really want to make this clear, that there are problems with our political institutions that will have to be corrected. And in particular I think our governing system has sort of gotten out of step with our society in ways that make it hard to do things and to deal with some of the fundamental challenges we face.

So rather than talk about how we do that, I want to hear about what Oren will do if we have the opportunity to have some constructive problem solving. But really do think we have to think about to reduce the tendencies of our national politics to descend into gridlock.

MS. SAWHILL: Okay, Oren, over to you.

MR. CASS: Yeah, I think there were a lot of great kind of substantive suggestions thrown out by both Governor Patrick and Jacob. And I definitely want to build on those.

I do want to just point out as preliminary matter that I think part of the problem here is that we can have events where left leaning folks sort of lament how broken the Republican Party is and say nothing problems with the Democratic Party, of which there are plenty and of which I am not now going to list because I don't think it's constructive. I'm certainly happy to concede that there are very serious problems with the Republican Party, but I think a good faith and progress building conversation has to involve a little bit more introspection from the left of center as well than has been my experience in a lot of these conversations.

In terms of the —

MS. SAWHILL: Could you just mention one or two specifics on that?

MR. CASS: Specific things that I think the Democratic Party has done?

MS. SAWHILL: Things that the Democratic Party really needs to readdress.

MR. CASS: Well, I think if you look in recent months in particular with all of the civil unrest that we've had, I think some of the extremes the Democratic Party has gone to to excuse or downplay what are very serious substantive issues that people across the political spectrum are rightly concerned about, has not been healthy for our discourse. And, again, that's a place where I'd say plenty

of people on the right of center have obviously engaged in in a not healthy way as well. But I think whether you're talking about asymmetry in sort of political rhetoric, I think there is plenty to be repaired on both sides. And I think also if you look at sort of the formal measures of polarization and sort of where people have departed in terms of policy agenda, there has been a huge shift to the left in the Democratic Party that was certainly on display early on in the primaries where you had, for instance, I believe universal support for the idea of free healthcare for illegal immigrants or an outright rejection of enforcing our immigration laws in any way, to take one issue. And so, you know, those are also quite sharp departures from what was consensus, if you want to look at say how Chuck Schumer was talking about the issue a decade ago.

And so, again, as I said, I don't think it's especially constructive to litigate these issues on either side, and I'm the first to acknowledge there are very serious problems on the Republican side as well, but I think conversations that take the problem in our national politics to be one of the two parties are not necessarily going to move us toward the kind of bridge building that we want.

On the substance though, which again I think is the most interesting and important part of this conversation, you know, I think some of the things that Governor Patrick underscored with respect to industrial policy and investment and infrastructure are a particularly exciting and important place to start, recognizing that what America did historically and that built our thriving economy. For a time it was called the American system and this was something conservatives were very enthusiastic about. I mean this is from Hamilton to Henry Clay to Abraham Lincoln to Dwight Eisenhower building the interstate highway system. The idea that a robust and private sector economy has to be built on aggressive public sector investments, that shouldn't be a left of center idea, that should be something that conservatives are enthusiastic about and committed to as well.

I think as Governor Patrick raised, there's of course the question of how to pay for it. And I think revenue has to be a piece of that. We need to raise more revenue to cover our existing obligations, let alone to cover some of the other investments we should be making. And so I think that is inevitably going to have to be part of the conversation as well, both a right of center to doing that and more discussion across the aisle on where we're going to make trade offs. Because I think the — and this is my final point — I think where a lot of these conversations go off the rails is in listing lots of new

great things we should do without recognizing that they all entail trade offs, that we can't just do more of everything. A good faith conversation is going to have to include a discussion of some things that we do less of. It can't possibly be the case that everything we do today is great and needs no reductions. Or, to take a final example, when we talk about education I think it's incredibly exciting to see the growing consensus around the idea of non-college pathways have to be a much greater emphasis, if not the primary emphasis, given where we are right now. But that can't just mean throw more resources at everything, it's going to have to mean a pulling back from some of the quite lavish support we put on our underperforming traditional higher education system. And so I think that has to be part of the conversation as well.

MS. SAWHILL: Great comments, Oren. And really think this has been a conversation that's very productive and constructive overall. I want to thank all of you and also all the previous panelists for a tremendous discussion.

I want to bring Gene Ludwig back in if he wants to make some final comments. And, Gene, you might especially want to tell us about there people can get your book or how they can get it.

I will mention before turning it over to you that our own book, Richard Reeves book with me, "A New Contract with the Middle Class" which is coming out the same day, we can send it to you if you send me an email at lsawhill@Brookings.edu. We hope you will want both books and we hope you'll delve into these subjects far more than we had time for today.

Again, thank you to everyone, and a special thanks to Gene for doing the symposium at Yale and for being such a leader on these issues.

Gene, over to you for any final comments.

MR. LUDWIG: Well, Belle, look, again, thank you very much and thanks to Brookings. These are critically important issues. And I want to also say a word of thanks to this final panel, which was extraordinary, as well as the previous panel, with was also extraordinary.

I do have some final comments in terms of you asked things to do. One is we need a big bang, not a small response. All these comments are good one, but we have got to get to it in a big way. And to do that I think we need massive infrastructure spending to get people back to work in good jobs, people — I think there was almost a uniform agreement on that — we need to build bridges, because if

we don't have an industrial policy that includes labor, business, right, left, people of all stripes, we're not going to get there because private sector is critical. That's where jobs at the end of the day are going to come from. We need educational reform. Your comment about — my comment about the Ten Commandments, we do not have an eleventh commandment that says affordable education — or education stops at the 12th grade in high school. We have got to change that. It is counterproductive for the well-being of the country.

We need a real post World War II Compact. Jacob has said a great deal about that in his books. Oren has been a leader in terms of trying to bring things together in a sensible way, recognizing that we do need — desperately need an industrial engagement.

And, finally, we can't allow a society to continue to exist that disadvantages black Americans or Hispanic Americans. We have to recognize we have a social obligation to include all Americans.

With that said, you know, this is a beginning. To get the book, by the way, send me a note on Eludwig@promontory.com. That's my email address. And/or it is available on Amazon. But I would be happy to send out copies of the book to folks who have been part of this Brookings event.

Thank you very, very much. I'm honored to have been part of this and help push the need a little bit.

MS. SAWHILL: Okay, we're done, everyone. Thank you to all the people who participated today and hope you enjoyed it and that you'll say connected with all of us.

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