THE BROOKINGS INSTITUTION

WEBINAR

A CONVERSATION ABOUT ECONOMIC GROWTH AND DYNAMISM

A Kickoff Event for the Brookings Blueprints for American Renewal & Prosperity

Washington, D.C.

Thursday, December 17, 2020

PARTICIPANTS:

Introduction:

JOHN R. ALLEN
President
The Brookings Institution

Presentations and Panel Discussion:

AMY LIU, Moderator
Vice President and Director, Metropolitan Policy Studies
The Brookings Institution

KRISTEN E. BROADY
Fellow and Policy Director, The Hamilton Project
The Brookings Institution

WILLIAM G. GALE
Arjay and Frances Fearing Miller Chair in
Federal Economic Policy
Senior Fellow and Co-Director, Urban-Brookings Tax Policy Center
The Brookings Institution

WILLIAM A. GALSTON
Ezra K. Zilkha Chair and Senior Fellow, Governance Studies
The Brookings Institution

JENNIFER S. VEY
Senior Fellow and Director, Anne T. and Robert M. Bass Center for Transformative Placemaking
The Brookings Institution

* * * * *

P R O C E E D I N G S

GENERAL ALLEN: Ladies and gentlemen, good afternoon. My name is John Allen and I'm the president of the Brookings Institution. And it is a great pleasure to welcome you this afternoon to the launch of our flagship project, Blueprints for American Renewal & Prosperity.

Now, as future historians reflect on the key moments of peril for the American experiment in 2020, this year will undoubtedly be remembered as one of the most challenging, perhaps the worst. From the terrible devastation of the COVID-19 pandemic to the effects of the massive economic downturn, our ongoing battle with systemic racism, and so much more, American society has been forced to endure so much in these recent months. What's more, today's challenges also include the looming threat of climate change, the continued rise of authoritarianism, radical populism, and in particular, the pernicious effects of misinformation, fake news, and the direct strains on our diplomatic system.

Indeed, on this very point, the 2020 election and the strain on the democracy of America has in the aftermath truly brought to light the many divisions impacting the unity of America today. Perhaps more acutely than at any other time in living memory, these United States of America sometimes feel a bit less united.

This convergence of national and global crises has amounted to a true inflection point for the United States and, in turn, for the world. Too many lives have been lost and families throughout the country are struggling to make ends meet. The desperate need of our fellow Americans and the resounding call for action couldn't then be clearer.

For our part, we at the Brookings Institution have faced similar moments before and have regularly harnessed our organization's talents, our scholars and researchers and world class business and operational staff, to provide the most precious resource to American leaders, nonpartisan, fact based, actionable policy guidance.

Indeed, in the 1930s, when the country faced the stark realities of the Great Depression, Brookings pulled together a critical analysis of President Franklin D. Roosevelt's New Deal. Then in 1948, following the devastation of World War II, our institution produced the foundational document which would become the Marshall Plan, or the European Recovery Program. In the 1960s Brookings analysis informed the creation of NASA's space program and would later provide analysis to Lyndon B. Johnson's great society initiatives. Brookings also helped inform the creation of the Congressional Budget Office in 1975, whose founding director was our longtime friend and dear colleague, Alice Rivlin. And earlier this year, when Americans were enduring the crushing initial shock of the COVID-19 closures and societal shutdown, Brookings released its flagship "The Reopening of America and the World," which examined global reopening strategies and best practices for public health and safety. And just last week, in the Amicus brief before the Supreme Court supporting the outcome of the recent U.S. presidential election, the work of three Brookings scholars were referenced in two separate locations in the brief.

So today then in keeping with over 100 years of dedication to public good, we proudly launch our Blueprints for American Renewal & Prosperity project, which aims to realize a vision for a renewed America in 2021 and beyond. Now, over the coming months we'll be releasing a series of papers and events featuring scholars and experts from all across Brookings in the hope of advancing the big ideas that will help our nation and the world emerge stronger, more equitable, and more resilient than ever.

It is our sincere hope that by bringing together our very best and brightest to contribute on issues involving equitable economic growth, racial justice, the reinvention of institutions, international security, and perhaps most importantly, climate change and long-term resilience, we'll be able to aid policy makers and leaders, especially in the new administration, in building a path towards a shared renewal and healing.

For today's event, we will kick off our launch by specifically focusing on economic growth and dynamism. We have convened an excellent panel of experts who will be discussing their proposals to counter the pandemic, revive the economy, increase opportunity, and reduce inequality. It's genuinely some of the best work at our institution and, ladies and gentlemen, I hope you'll take the time to listen to the insights of these panels, the panel today and ones in the future, and to read their proposals on line on our Brookings website.

As noted, further packages of papers will be released in the coming weeks and will have their own respective events, which will be celebrating and escalating that work of the scholars and, ultimately, hopefully, to the attention of the new administration.

Now, before we begin I'd like to specifically highlight Brookings Vice President and

Program Director of the Metropolitan Policy Program Amy Liu, who will be moderating today's panel. And thanks to her leadership and her vision, I have no doubt that our Blueprints project will be a crucial tool not only to those in the White House, but leaders across the country as we all look to emerge better within our communities.

So, Amy, thank you so much for that work.

I'd also be remiss in not celebrating her excellent team, in particular her communications director, David Lanham, who worked so hard and tirelessly to bring together this effort and to bring it to fruition. Though it's our experts who are on display today, we have some excellent operations and communications professionals who made this effort truly great. So to each one of them, thank you so much.

So with that, a brief reminder that we're live and we're on the record today and we'll be taking questions shortly. But you can submit your questions by emailing events@Brookings.edu — that's events@Brookings.edu. Or via Twitter by using #BrookingsBlueprints.

So, again, thank you so much for tuning in today. This is a great effort on our part and we hope it's helpful ultimately for our country and all of our citizens.

So, Amy, the floor is yours.

MS. LIU: Thank you very much, John, for your generous remarks, your support, and for your vision for this project.

I want to add my welcome to all of you. Thank you so much for tuning in today for this timely discussion on federal policy ideas on the economy and economic opportunity. We have a great audience that has joined us, we've got leaders based here in Washington and in communities across the country. And I also want to thank those of you have already sent your questions in for today's event. We hope to get to those at the end of our program.

And as John mentioned, today's topic on economic growth and dynamism is part of a larger series we have launched here at Brookings. It is called The Blueprints for American Renewal and Prosperity. And, as John mentioned, you can find these papers and future ideas on our website. And so do take a look.

The Blueprints, as John said, is a series of federal policy ideas to inform the incoming

Biden-Harris administration and Congress as they tackle some of the most seismic and structural challenges of our time, both here and globally. The hope, the vision, is for the U.S. and the world to emerge from all of these multiple crises stronger, more equitable, and more resilient. And there's no doubt, given the events of the past year in particular, it's really hard to have a conversation toady about how to address the pandemic recession and the economy without simultaneously addressing the systemic inequality that it and many acts of racial injustices have exposed.

For that reason, the Blueprints launched last with big yet practical ideas on racial justice and worker mobility. And that included ideas such as scaling up earn and learn and other dual work based learning opportunities, particularly for non-college educated workers and others who have long been marginalized by the dominant college going track we have in the country. Experts also offered ways to accelerate the growth of Black businesses and close the racial wealth gap. And I say that because today's conversation is going to build on those ideas.

And in January what you're going to see is a set of papers that will focus on U.S. governance and how the U.S. government must restructure itself to respond to some of the near and longer-term challenges, such as how we're going to break down government silos to better empower communities to address an equitable recovery. And maybe we need new structures to allow us to address the new disruptive technologies that really are permeating all parts of society.

We'll also have some future ideas on climate resilience. And I bring all that up also because I want to reinforce that we're going to have opportunities to tackle those topics in future events and through future briefs, because many of the questions that we've received from audiences today covered those matters. So we're not going to be able to get to them today, but do come back for those topics in the future.

Now, that brings me to today. And today's program will feature federal policy ideas to promote economic growth and dynamism at a time when the economy has stalled amid record numbers of new COVID infections. We're also experiencing a bifurcated K-shaped recovery with homeowners and workers in digital industries doing well from the safety and comforts of their home, while renters, low wage workers, workers of color, those working in the retail, hospitality, local serving industries, are vulnerable to job loss, if they haven't lost their jobs already, continue to face low pay and economic insecurity. And, meanwhile, Congress has yet to finalize a deal for how to address all of these multiple challenges before the holidays.

So the Blueprint policy ideas we are going to feature — that's going to be featured as part of the economic growth and dynamism set, are focused monetary and fiscal policy responses to the current recession and to future recessions. And they offer some structural policy reforms to expand the incomes, wealth, and opportunities of more workers and more communities.

And with that, I am pleased to introduce the four experts who are going to be elaborating on these important ideas in the program today. I'm proud to say that they represent three different programs at the institution, so you're going to get a true institution-wide tour de force in our conversation.

So joining us today is Bill Gale. He is the senior fellow in our Economic Studies division and co-director of the Urban Brookings Tax Policy Center. I also want to give him a shout out, a big thanks for being one of the co-chairs of this Blueprints efforts. We also have Bill Galston who has joined us. He is a senior fellow in Governance Studies, and you also probably know that he contributes a weekly column in the Wall Street Journal. I'm also pleased we have Kristen Broady, who is a fellow and policy director of the Hamilton Project, and the Hamilton Project is part of the Economic Studies Program. And last, but not least, is my colleague, Jennifer Vey. She is a senior fellow and director of the Bass Center on Transformative Placemaking, which is inside the program that I run, the Metropolitan Policy Program.

What we're going to do is we're going to open the conversation today by giving each of our experts about five minutes to briefly introduce their policy idea in the Blueprints series so we can get all of those ideas out in the open before I moderate a conversation with them, and then address some of the questions from you as the audience.

Now, as you listen to their summaries, you should — and if you come up with some questions that you want to pose, you can send your questions by emailing events@Brookings.edu, which you can find on the event page where you found the link for today's event, or you can send us your questions via Twitter using #BrookingsBlueprints. And that's plural. Again, that is #BrookingsBlueprints.

And, with that, I want to turn things over to Bill Gale, who is going to start us off with a summary of his policy brief that he had introduced.

So, Bill?

MR. GALE: Thank you very much, Amy. Pleasure to be here. My paper is co-authored with Grace Enda, who is a senior research assistant at the Brookings Institution.

Our paper can be summarized very simply. It says we need more government assistance, more government help now. And even if you're someone who's concerned about the long-term budget situation, as I am, you should not let that get in the way of understanding the need for the government to stimulate the — to boost the economy now. And there's basically five points we want to make in support of this proposition.

The first is can we afford more government spending, more assistance? And the answer here is obviously yes. The government enacted a $2 trillion bill last spring. It had essentially no impact on interest rates. The market is not worried about government debt situation right now. The cost of financing a new stimulus will be quite low.

Second, while the costs are low the benefits would be big. We have a lot of work to do to get the pandemic under control. And until we do that we need to support people in their home, their rental, their economic position. And so the fact that the economy is weak and particular sectors are particularly weak, means that the benefits of assistance would be big right now.

Third, if I could switch to kind of a historical perspective as a student of fiscal policy, it's evident that countries cut off stimulus too soon after recession. This happened in Europe and the U.S. eight to 10 years ago, it happened in Japan in the 1990s, it even happened to the U.S. in the 1930s. The Great Depression was actually two severe recessions where there was fiscal tightening in the middle that pushed the economy back into the doldrums again. So whatever policy makers' natural instincts are to cut off stimulus, historically they've done it too soon, too rapidly.

The fourth point I want to make is even if you care about the long-term debt, even if you think that's a big concern, you should be in favor of more stimulus now. And I'll work backwards to get that conclusion. The strongest way to have a good long-term budget is to have a good long-term economy. The strongest way to have a good long-term economy is to help people right now. Kids are not getting educated, women are leaving the labor force to care for kids, human capital is being lost, et cetera. The sooner was can stem that tide and get people back at a regular rotation, the better will be the prospects for the long-term economy, and therefore for the long-term budget.

And the last reason is a humanitarian one. I don't want to say just a humanitarian one, but stepping out of the narrow bounds of economics, we are facing hunger levels in the U.S. that are extremely high, we've got a whole generation of kids that are not getting a quality year of education, we've got people facing eviction, we've got long-term unemployment has gone up. Just for those humanitarian reasons alone, the government needs to step in, but also for all those economic reasons. More assistance now, more help now is exactly what's needed. We can talk about the exact amount and the structure of that later on, but our paper makes the strong point that more assistance is needed now.

So having said that, let me turn it over to my colleague, Bill Galston.

MR. GALSTON: Well, thanks to Bill Gale, whose mail and emails I frequently receive by mistake.

Let me just begin by saying that if I had been trying to create a backdrop of events to dramatize the importance of the proposals put before you, I couldn't have done a better job than reality has done. So let me just cite two salient facts from today, one of which, Amy Liu, has already mentioned, Congress is now struggling to agree on a package of COVID-19 relief that is about half the size of the number that the Trump administration put on the table two months ago. This has not been Congress' finest hour.

At the same time we learned this morning that 885,000 Americans submitted new applications for unemployment insurance last week. Those numbers were going down, they're going back up again. They're going back up again because COVID infections are going back up again with no end in sight. The vaccine will take time to penetrate the U.S. population, a matter of months.

This is creating, as Bill indicated, both a humanitarian crisis for individuals, but also a fiscal crisis for states and localities. And my proposals are designed to respond to that.

So let me just begin by describing the problem, if I may. During deep recessions it's very difficult for the political system to provide aid to hard hit individuals and hard hit jurisdictions that is big enough or lasts long enough. Of course, there are always qualms about deficit spending. And even for people who have studied economics and understand the log of deficit spending, there are psychological barriers to spending the amount of money that is needed in order to get the job done.

So in a series of deep recessions over the past two generations, we have found ourselves unprepared programmatically to cope with the consequences. We always find ourselves in the position of trying to fix the roof while the rain is pouring down. There are two problems with that. First of all, it's much more difficult to do the work when it's raining. And, secondly, while you're struggling to fix the leak, there's all sorts of damage to the house. So my proposal is very simple. Let's fix the roof while the sun is shining. Let us set it place programs that automatically go into effect when certain numerical targets of economic and human distress are reached. In policy jargon, these are known as automatic stabilizers.

Now, let me just in my last two minutes lay out some of the details. As Bill indicated, during severe downturns what happens? Immediate human needs go unmet, preparation for the future, for example, public health systems, goes by the boards, and states and localities are a drag on long-term economic recovery and growth — fact that has been underscored by Ben Bernanke, the former head of the Fed, who's now a Brookings scholar, as well as by a series of Brookings papers.

We need to address all three of those problems. My suggestion is that we single out three programs for the automatic triggering mechanisms that I'm proposing. Number one, Medicaid and the Children Health Insurance Program, number two, our unemployment insurance programs, and number three, direct aid to states and localities. In each of those cases there would be additional assistance from the federal government to the states, triggered automatically by numerical thresholds that are either met or not. And when they are, additional aid flows through formulas, which I define in excruciating detail in my paper.

I could go on, but my time is up. And so it's now a pleasure for me to turn over the podium to Kristen Broady.

MS. BROADY: Thank you so much, Bill. It's a pleasure to be here.

Our proposal preparing U.S. workers for the post-COVID economy, higher education, workforce training, and labor unions, is a paper that I co-wrote with research assistant Moriah Macklin and former research assistant James O'Donnell.

The COVID-19 pandemic has exacerbated the need for improvement in how we train and protect our workforce. Some of these needs are immediate, such as better worker health protections during the pandemic. Other needs are more long-standing, but are still urgent, such as equipping workers with the skills that will be demanded in the labor market now and in the coming years.

So we propose three avenues to make progress along these lines. First, we propose increasing support to higher education sectors for skills training. Second, we propose focusing federal worker training programs on particular occupations and skills that will be in high demand. And, third, we propose doing much more to support private sector unions, which have experienced problems that I'll talk about shortly over the last decade.

So what are those challenge? Because these certain sectors have not just come up with these challenges because of COVID. All three had challenges prior to the pandemic. For decades the higher education sector has faced significant declines in enrollment in the face of demographic changes and cuts in funding that could have helped to support necessary innovations, but didn't happen. Further, institutions have struggled to move classes on line even before the pandemic, with competition from on line universities. Some have done better than the others. And significant inequities in access to broadband and hardware have hampered students, especially minority and those who live in rural areas.

Although federal action, including the Families First Coronavirus Response Act tax credit and the Corona Aid Relief and Economic Securities Act, better known as the CARES Act, both signed into law in March 2020, provided some financial support. It has neither been sufficient nor effectively distributed.

On the workforce training front, employer paid and government funded worker training have been on the decline for many years. Moreover, the pandemic will accelerate trends toward automation, putting some skills in high demand and others in low demand, making recovery in labor even more difficult, particularly for those workers that will have skills in that low demand buggy.

Finally, private sector union membership has been declining for decades, meaning decreased support for on the job training and worker protections that were much needed during the COVID-19 pandemic.

So we propose three sets of changes to help address these problems. First, in the area of higher education, the federal government should provide greater funding for institutions and ensure students access to broadband. As we move towards on line, what good is it going to do if students don't have access or a computer to get on?

Second, the federal government needs to implement policies that encourage the higher education system to support worker training by teaching skills valued by employers and creating pipelines between employers and higher educational institutions so that students can be prepared for jobs that will exist after the COVID-19 pandemic is over and that will not be automated.

Third, labor reforms can be implemented to facilitate a move away from the current system of establishment level bargaining and move toward a sectoral bargaining system, such that unions aren't just affected by a particular industry, but are basically across sectors.

So these changes would increase worker coverage, provide higher wages and worker protections, reduce employee turnover, and provide more formal and informal opportunities for workers, not just those in unions but those that are not. Because as union wages go up, competition then means that all wages go up and things are better for all workers, whether they're in a union or not.

And so that's our proposal. And so now I will turn it over to our colleague, Jennifer Vey.

MS. VEY: Right. Thanks so much, Kristen, and hello everyone. Thanks for being here.

So I worked Tracy Hadden Loh, who is a fellow with the Bass Center, and with Elwood Hopkins, who among other things is currently a presidential fellow with the Kresge Foundation, to develop a proposal for how the federal government could establish and capitalize state revolving loan funds that would then provide direct seed funding to locally manage neighborhood investment funds.

So the idea here is these neighborhood funds would allow residents, together with other private, public, and nonprofit sector investors, to purchase and develop –– or we develop land or buildings in commercial quarters in eligible areas, many of which of course have been very hard hit by COVID-19.

So this proposal stems from the fact that in the United States the neighborhood in which one lives has always influenced access to economic opportunity. Place based inequities by race and by income, a result of decades of discriminatory policies and practices, have only become more exposed and more devastating amid the health and economic fallout of the COVID-19 pandemic. And I think –– of course, we all know this, if anybody has been paying attention, we know the disparities and how COVID-19 has impacted people and how it's impacted places.

So the big idea here is a new and improved way for the federal government to engage in place based policy to address these issues. So, you know, there have been a lot of place based policies over the decades, opportunity zones just being the latest, that have been designed with the intention of bringing investment and jobs to low-income communities. But many of these have really fallen short because they haven't properly matched the policy response to the actual needs or the assets, frankly, of their selected community.

So our approach is a bit different and it has a few key components, which I'll go through. So for one thing, our proposal focuses on direct seed funding. So, you know, as I noted, what we're proposing here is actually it would be the Treasury Department that would establish and capitalize state revolving loan funds that then would provide direct seed capital through a combination of low interest, potentially forgivable debt, and working equity to locally manage neighborhood investment funds.

So, you know, here we're proposing cash as opposed to credits or something else, which, look, you know, tax credits, incentives, are often easier to legislate, but we really think this cash infusion is critical. They try to catalyze local real estate projects as they really just accelerate that process of tracking investors. They thicken the capital staff and they expedite the timeline for project revitalization. So that's really a key difference here.

Second — and this is of course a key component — is that the local neighborhood investment funds would allow residents of these eligible geographic areas to collectively purchase and develop, redevelop these buildings in commercial quarters. A principle objective of these funds would be to acquire a large enough portfolio of properties that would ultimately catalyze neighborhood transformation.

Beyond that, the aim is really to increase local ownership of local real estate, which allows residents to both influence and build wealth from the projects that are in their communities. So that's really a signature piece of what we're proposing here.

And, you know, finally, this is really about state and local partnerships. So it's really fed, states, locals, all working together. So here the state governments would be responsible for managing the applications for the specific projects that would be accessing these state revolving loan funds. They'd also be responsible for helping to identify those local partners or the partnership configurations — and we detail these in our brief — that would actually be managing these local funds.

So our brief details, you know, the structure. It goes through a lot of eligibility requirements, which kind of communities would be eligible for these, we detail that. We go into some detail certainly about these local partnership structures, which are really, really important to making this work. So you can see all those in the brief.

What I do want to wrap with though is to talk a bit about the impacts and why we think structure could be potentially really impactful for communities. So, you know, for one thing, as I've emphasized, this is really about building resident and community wealth. Wealth generating asset ownership is really a very powerful mechanism for increasing mobility and financial security for families, for individuals. And then this in turn helps strengthen the local economy by creating that positive, that, you know, mutually reinforcing feedback loop between the success of local businesses and the prosperity of families and households. So that's one thing.

Another big impact is growing and retaining local businesses. Neighborhood businesses provide essential access to goods and to services, they create jobs, they help revitalize commercial quarters. So models that enable local ownership of real estate would not only help grow new businesses in these commercial quarters, but they'd help keep existing businesses from closing by reducing vacancy, by reinvigorating these quarters by virtue of this kind of investment. It would preserve affordability and local ownership. In traditional real estate projects, success is defined by high demand, by rising rents. Real estate instruments like what we're proposing can itself preserve affordability in commercial districts by empowering owners, resident owners, to choose tenants, determine leases, and to formally build in mechanisms to stabilize rent.

And, finally, this is about that capacity building at a local governance organization. This is really about partnerships on the ground with localities, with the resident involvement in the whole decision making process. And that's certainly a key component. And, in fact, we actually recommend that there will be a small set aside to build the capacity of those organizations right within our proposal.

So I'll stop there. Again, a lot more details in the brief itself. But hopefully that gives you some sense of what our proposal is all about.

MS. LIU: Great. Thank you so much, Bill, Bill, Kristen, and Jennifer. I think what you all heard as viewers is how much these ideas naturally flow from really the case for why we need big fiscal policy at this moment, how federal policy can really partner with lower levels of government to ensure long-term economic recovery and keeping this rooted in the experience of real people, real workers, real communities, main streets, neighborhoods. And so I think there's a lot of richness here. And, again, all of these papers are available on the website under Blueprints for American Renewal & Prosperity, and particularly in the bucket for economic growth and dynamism.

What I want to do is start by asking a question to both Bills about the immediate negotiations on the Hill, because so much of what you're proposing reflect a lot of the conversation that our lawmakers are undertaking now.

In the very near-term the current proposal that is on the table, the $900 billion COVID-19 relief package that is considered short-term with some measures in it. But my first question is what is not in it? What has been taken off the table is state and local aid. It is something that my colleagues and many of my colleagues In the Metro Program, inside other parts of Brookings, have argued is absolutely essential. Both of you, what is the argument? I feel like there's so much economic evidence about why state and local government aid is important, creates a drag, can create more unemployment in the long-term or in the near-term too.

What other arguments can we make to make sure that state and local aid is part of a future package, which we assume will because this is a temporary intervention?

Thoughts?

MR. GALE: Sure. Let me start off. First of all, state and local governments are a big part of the economy. Their spending is about half as large as federal spending on the order of 10% of GDP. They employ about 10% or more of the non-farm workers in the economy. So just in terms of the sheer economics, they're a big deal. There's a particular concern with recessions because states have balanced budget rules, which means that as the economy takes a dip, revenues fall, which means then states either need to raise tax rates or cut spending, which is a concern during a recession, first of all, for humanitarian reasons again, but second of all, from the perspective of managing the macroeconomy. The last thing you want during a recession is for a major sector of the economy to be cutting back on its spending or raising taxes. So just in terms of the sheer macro effects, you want to do something like what Bill Galston proposed, which is make sure that the states don't follow the balanced budget changes that they would otherwise need to during a recession.

MS. LIU: Bill, do you have more to add to that?

MR. GALSTON: Well, yes, but these are words that come hard, you know, from a Brookings scholar.

Amy, you asked what additional arguments can we provide. And the answer is none. We've provided all of the responsible arguments that can be made. At this point it is a political question. And what strikes me is that the governors have been pushing very hard for the inclusion of state and local aid in the final package. You would think that the governors would have the ears particularly of their senators. This is their state senators in Washington. But apparently not.

And so the lesson that I draw from this is that organizations, such as the National Governors Association, are going to have to get a lot more systematic, a lot more unified, and a lot more vociferous in order to move representatives in Congress in their direction. This is — you know, I mean we have a system of federalism, which is a fundamental structural feature of the American Constitution and American governance. Many countries have centralized systems where the advantages and disadvantages of federalism don't manifest themselves. We don't. And for the reason that Bill Gale cites, unless the states and localities can persuade their representatives in the national government that action to, you know, preserve them from massive cuts or tax increases is essential, we'll be trying to drive an economy with one foot on the gas pedal and the other food on the brake, which is pretty crazy.

Work that I believe Bill Gale and some of his colleagues did showed that for a full decade, 2009 to 2018, slow state growth represented a drag on the national economy. That was a full 10 years. We really can't afford to have that happen again because we've seen the consequences of slow growth, not only for our economy but also for our politics and our society. It's not an experience that we ought to be willing to replicate if we can possibly avoid it.

So we've maxed out on arguments and what we now need is a political surge by the governors and others to make this happen.

MS. LIU: And I'm just going to use moderator prerogative to just mention that my colleague, Mark Muro, and I also tried to make the case that this is not just a blue state bailout, but that if structured well, a state and local aid package that goes to all 50 states, counties, and jurisdictions will actually help more red counties and rural areas, which have been particularly hit hard by this pandemic and also entered this recession structurally disadvantaged. And so it should be a bipartisan argument, but I know, again, Bill, you're right, this is about a political will at this point, and I hope that we will be able to see more of that coming in the new Congress.

And so that's where I want to transition next, is that I want to talk about what more needs to be done. In the near-term this current discussion is about — is a down payment on economic relief. In fact, I think the proposal expires. A lot of the aid, whether it's payments or unemployment insurance, extends to next spring, with the hope that there will be another conversation next quarter.

So, Bill Gale, just to you, you've made an argument in your paper that there's a real difference between relief and stimulus. What's your thought on what's the balance of and stimulus that should be considered in the early part of next Congress? And what are the — like what are the components of some of the ideas that ought to be included?

MR. GALE: All right, thanks. Let me give you an answer in three parts.

The first part is the difference between relief and stimulus. In a normal recession we're trying to get people back to work and get businesses to open and stuff like that, so we want stimulus. In this particular case, with the virus still running wild, we want relief. What relief is helping people, paying people, while they stay out of the labor force to observe public health guidelines, making them financially sound so that they can observe the public health guidelines, so that we don't overrun the hospital systems, so we can get the vaccine — until we get the vaccine working.

So besides those two types of policies, there's a third type of economic policy, which is the response to the pandemic. COVID policy is economic policy right now. And if we don't get the pandemic under control, we're going to be in a stagnating weak economy for a long time.

So I think what we need right now is more relief. That's the differences between the policies. What we did last spring, the CARES Act, was largely relief. It was — you know, Bill Galston mentioned this not Congress' finest hour right now. I agree with that. I think last spring was fairly close to their finest hour. They put together a $2 trillion package in less than a month. It's certainly not perfect. There are — you know, the — there are issues in it. But it basically did the right thing at the right time at the right magnitude. That is it offered relief to businesses and households, it provided some funding for healthcare, et cetera.

Now, fast forward to now, they've kind of — they're kind of out of excuses at this point. Whatever comes is going to be not as large as it should be, it's not as soon as it should be, and because it's leaving out state and local aid apparently, it's missing a very important component of the types of effective relief that the government could do right now.

So I agree with you — well, I agree with the statement — I don't want to put words in your mouth, Amy — I agree with the statement that we should take this package as imperfect and late as it is. But there's significantly more work to be done. Our colleagues, Wendy Edelberg and Louise Scheiner, have shown that a robust package of about $2 trillion would get the economy back to full employment within a couple of years. Under current law the economy is not expected to get back there until a decade from now.

So there's a lot the government can do. Right now what it needs to do is contain COVID and offer relief. Once we're through that stage there will be a different issue about stimulus. There are some people that think the economy is going to bounce back really fast because of all the pent up demand and pent up supply right now. If that's the case, we may not need a lot of stimulus, or we may need a special kind of stimulus. But we really need relief, we really need to get through this time period. And, you know, with the vaccine coming around, the end is in sight. So if we can just get us through another six months, you know, things will be a lot different than they are now.

MS. LIU: Great. I'm going to turn to a question to Bill Galston on his proposal before I follow up with a number of questions for Kristen and Jennifer.

So, Bill, when I — you know, there's been a lot of folks who have argued for the importance of automatic stabilizers. I really like the fact that you picked three particular elements that should be included in such triggers. It just seems so common sense to me. And, you know, it takes the politics of the failed moment, as you said, out of the equation, it lets us plan ahead. And even though this is not a really good — it's not exactly the same example, but many of our states actually built reserves at times to prepare and plan ahead. And it's amazing to me that there isn't that same sentiment here in Washington.

So give our viewers a sense of what is the nature of the resistance to the idea of automatic stabilizers that we ought to help overcome?

MR. GALSTON: Well, first of all, there are long-standing ideological differences between the two political parties about how active the federal government should be in the economy and, by extension, how active the federal government should be during economic downturns. And that is nothing new. It's unavoidable. The problem is that rather than having it out at the national level in advance, we wait until the crisis is upon us and then argue about it in the worst possible circumstances where each week of delay means another week of suffering, another week of economic decline.

There has been some suggestion that representatives and senators prefer to vote on relief every particular instance so they'll get credit for it each time. Now, that sounds cynical, but it's the way the representative system works, which would be fine if when it were necessary they actually voted for it. But, as we've seen, it's been eight months since the Congress of the United States has done anything and they've run out of excuses that the dog ate their homework. These programs are going to expire — almost every single one by the end of this year, which is two weeks. Extended unemployment insurance expires the day after Christmas. How's that for a stocking stuffer? (Laughing) So, you know, you would think that the incentives would be there, but a lot of members of Congress don't act until the deadline is upon them. They don't act until they are forced to act. And I can't figure out any way of forcing them to act at the precise moment, which is why I'm so eager to have this discussion in advance and to have it settled structurally as opposed to piecemeal.

MS. LIU: You know, I kind of love this whole Zoom environment because we're getting some great questions from audiences in real time and rather than wait until the end I actually want to take one and bring it out now. And one of the questions is about your concept, Bill — and I wonder, Kristen, given the work that you all have done at Hamilton, whether you want to kind of weigh into the answer to this question too, which is how do we make sure that any formula or structure for an automatic stabilizing proposal doesn't unnecessarily result in adding to structural inequality.

So, for instance — or is more responsive — because macro numbers sort of hide a lot of the inequality in the system. So, for instance, if your formula uses an unemployment rate as part of the trigger, we know that the national unemployment rate hides enormous disparities within the general population. And so we know in COVID that Blacks and Latinos and women have been — young adults have been disproportionately impacted by COVID unemployment and their numbers are not fully captured in a macro number.

How do you account for that sort of distortion in looking at these larger efforts? Or in general? Because I do think existing flows also often times don't — sort of exacerbate certain conditions.

MR. GALSTON: Absolutely. And I'll give you two answers quickly. Then I've been doing a lot of talking, so I'd like to turn it over, you know.

First of all, my proposals focus on statistics at the state and local level, not the national level, right. And this is really important. And my proposal for aid to states and localities involves a formula that will automatically deliver one-third of the total assistance to sub-state entities, like counties and municipalities. And I inserted that because I've spent a lot of time talking with members of Congress who are complaining bitterly about their governors, you know, seizing all of the aid that flowed to them from the CARES Act and then being very slow to release it to municipalities and counties because they'd like to hold onto it as much of it as possible to deal with their own political and programmatic needs at the state level. So you have to use these formulas in order to make sure that aggregates are not driving the response, but rather the conditions on the ground are.

Second, you have to focus on the programs that already lean against the kinds of disparities that you're talking about. So, for example, my Medicaid — my proposal for Medicaid and the Children's Health Insurance Program is targeted by the very definition of those programs on exactly the individuals and families who are in greatest need. And that includes, regrettably, a disproportionate number of members of minority groups in this country.

And so the proposal will deliver them disproportionate amounts of assistance, disproportionately large amounts of assistance because they are the principle beneficiaries of those programs.

So in those two ways you can try to deal with the problems of aggregates obscuring the actual conditions for actual people and groups in particular places on the ground.

MS. LIU: Kristen, do you want to elaborate on that? Or add other perspectives to this concern?

MS. BROADY: Sure. So one of the things that I do periodically is the jobs report for (inaudible) or ABC News Live, et cetera. And so for ABC News Live they want the overall number, right. And so if I look for August it was 8.4%, September down to 7.9, October 6.9% and November 6.7. Great. Even if you look at the state level, you will see something like that, right. But that doesn't tell the whole story. When I look at the unemployment rate for Black or African Americans, in August it was 13 compared to that 8.4, September 12.1 compared to 7.9, 10.8 in October compared to 6.9, and, finally, in November 10.3. If I look at Asian Americans, in November 6.7, Hispanic Americans 8.4%. If I go to 16-19 year olds for some of those months for African Americans, it was 19-20%.

So when you look at — if you're going to have an automatic stabilizer, what is the automatic number? Well, if it's 6.7 or 7 or whatever it is, like the African American unemployment rate has been much higher that whole time. So, you know, something should have been done before. So if there's an automatic stabilizer, it shouldn't just be one. I think it should be different for the different people that are meant to be helped. Furthermore, African Americans, who are more likely to be concentrated in jobs that put them at risk of getting COVID-19 or more likely to get COVID-19, more likely to be hospitalized with COVID-19, more likely to die from COVID-19, less likely to get UI, less likely to have health insurance. So it's like when we look at who is in danger and who we're trying to help, that's something that should be looked at.

And the last thing that I'll say, one of the proposals that I have is looking at higher education, and particularly HBCUs, because if we want to help African Americans — and this is not to say that all African Americans go to HBCUs, but that's the mission of HBCUs, always been, to help the African American community get ahead socioeconomically. And so with enrollment going down in higher ed overall, losing 1.3 million students since 2010, that has affected HBCUs. So we need to fund the particular schools v the particular workforce training programs, the particular unions that are going to help the people that are having the problems.

MS. LIU: Well, this is exactly why I love being part of the Brookings community, because we always refine each other's policies in real time. (Laughing)

I'm going to ask Jennifer a question and then come to Kristen. You know, since we're talking about metrics, there are actually a number of folks who are viewing in who want to understand how a federal investment into a neighborhood community trust or investment trust would actually work in a way that truly benefits residents and doesn't benefit external private sector investors as we've seen say in the Opportunity Zone program. And I thought maybe one of the ways you can help shed light on that is to tell a story about how this might work in a community right now.

MS. VEY: Sure.

MS. LIU: Or, you know, because I think there are current examples where this already exists that could leveraged.

MS. VEY: There are. And so, first of all, let me take the first part of that about Opportunity Zones, because I think this is probably something that's on a lot of people's minds. We've already gotten some questions about this. You're like how is this different. And that might help contextualize it a little bit.

So first, you know, for the uninitiated, Opportunity Zones were created out of the Tax Cut and Jobs Act of 2017. Basically, you know, if you have capital gains from sale of stocks, real estate, other assets, you can invest in qualified opportunity funds and have your capital gains tax deferred for various periods of time, depending on how long you hold the money in those funds.

So what we're proposing here, as I've already highlighted, are the budget differences between how our proposal would actually work in a community versus OZs. So, for one thing, as I've described, we would — the neighborhood investment funds, like we describe in our proposal, would be structured to include individual resident household investors alongside other accredited institutional investors and others similar to those that are attracted to Opportunity Zones. So that's one distinction, that resident — the ability for residents to invest.

It's also distinct in a bunch of other ways. We outlined strict criteria on which communities will be eligible, you know, which projects and which kind of communities would be eligible. So there would be no subjective selection as there was with Opportunity Zones. As I mentioned before, this is about direct capitalization of revolving loan funds, it's not about a tax credit or other kind of incentive that revolves around foregone tax revenue. And it's really catalyzed at the local level. And as I noted, there's a set aside to build that kind of capacity on the ground.

So what we're proposing is a way that — you know, it differs in all these kind of ways, although I will say that really our proposal could potentially work in conjunction with Opportunity Zones — it wouldn't have to, but it could. You know, whether or not it's Opportunity Zones are renewed again or even with existing Opportunity Zones you could conceivably create a mechanism for those qualified opportunity funds to engage local partners in specific eligible places with specific projects by enabling those smaller dollar local investors to participate.

So you're basically — you could open up the capital stack and restructure it to allow that kind of resident investment. And, you know, the incentive for doing so, frankly, for these existing kind of funds would be they could access that money from the revolving loan fund, which, again, helps thicken the stack and just can ultimately de-risk and potentially make the budget more successful.

So that's really how it would operate. And there's precedent for this. In fact, I was just on a call right before this one with the Kresge Foundation, with Elwood Hopkins, who is one of the co-authors, where it was sort of a call focused on community of practice. There are examples from around the country where this is actually happening on the ground in localities for, you know, Portland, Oregon. And Brookings has actually written a piece on Mercy Corps and their community investment trust model in Portland and how it's been used to help residents invest in a shopping center there. Examples on this come from Oakland, from Fresno, from Kansas City, from Tulsa, all of which have, you know, kind of different flavors, slightly different models, but they're all focused on this resident investment kind of model, again, with the goal of revitalizing communities, building wealth for residents in those communities.

So it's out there. I think the time is really right. When we talk about recovery from COVID, we look at where the impacts have been. When we look at past place based policies, including Opportunity Zones and where they've fallen short, this is really a way that we can really harness what's been happening on the ground, harness these local models, but really lift them up by virtue of having this kind of federal investment that involves the states as well to help capitalize, to help stimulate these kind of models in communities and really build on the momentum that's already out there.

MS. LIU: Great. Kristen, there's a number of people tuning in, and I'm supposed to be transitioning to audience questions anyway, but a lot of the questions coming from the audience are about workers and workforce training and the role that higher ed and the workforce system can contribute to this in this moment.

Your proposal talks about the need for additional funding. Yes, that helps. But you also suggest some reforms. Can you offer just a little deeper detail on what changes need to be made in higher ed or what other changes need to be made in the workforce system that enables workers to actually get — demand relevant skills today?

MS. BROADY: Sure. And in another part of my life I am the dean of the college of business at Dillard University. I'm on leave. And I've served at a number of different HBCUs. And for my State of Black America essay this year I interviewed five different HBCU presidents. And one of the things that Roslyn Clark Artis, who is the president of Benedict, said is that it is not just about the money, but it's about what we can spend it on, right.

And so we got this CARES Act money and it could have possibly been enough, but there were so many restrictions. And I think this really — this struck me and I think it will strike the members of the audience — that when they closed their school they had to send students home. Many of them had never been on an airplane, many of them didn't have a suitcase, right. Like as we think about our Tumi luggage, or whatever it is that we have, if you have Burberry, if you have Louis Vuitton, or whatever it is, and how many sets of luggage you have, and though we're not traveling as much right now, how many airplanes you've been on. If you're a level A diamond member or whatever it is — I don't travel Delta, but, you know, if you travel Delta, American, you know, whoever it is, when you think about these students who have never been on an airplane. And so they needed to buy them suitcases, they needed to buy them other packing gear, they needed to buy them train tickets or ways to get to the airports. And they could not use the funding for that, right. The funding was for books or for internet, which was great, right, or for, you know, tablets or things. But how are we supposed to get them to the airport? What are they supposed to put their clothes in, right.

And so when you think about the $2 trillion or the $3 trillion, whatever all of these numbers are, that one of the things is decreasing some of the restrictions. My friend, Stephanie Rollins Leghorn (phonetic) said that you don't ask the doctor if the medication is working or what the patient needs, ask the patient — ask the patient what they need, right. So ask the schools what they need. It's not all about fraud or theft. Sometimes you just need to ask the schools what they need in order to help the students.

Secondly I proposed some sort of national system, Dropbox, Dashboard, or something to help employers partner with institutions. Many institutions of higher ed have a recruitment day, a job fair where JP Morgan, KPMG, or whoever comes, but if what if there was one sort of place that you could go where employers could say these are the jobs that are going to exist, this is what students need to know and be able to do in order to get them. And students and professors and presidents could go to that same place so that everybody could be on the same page so that colleges are preparing students for jobs that will exist, not those that are going to be automated or that are going to change from in person to work from home. But one point where information such as that could be shared.

MS. LIU: And in your proposal you also talked about the need to revitalize union and union organizing and membership. Say more about the role of federal government in enabling that.

MS. BROADY: So I think that there need to be more protections for unions. I have worked for some companies that I won't mention that the couldn't say that they didn't want unions, but they did everything within the law in order to try and get rid of unions. And there was a lot that they could do to keep people from organizing. And so getting rid of some of those restrictions and allowing unions to actually organize.

And one of the things that I learned even more in writing this proposal is that when you have unions and unions can bargain, it doesn't just affect those that are in the union, it affects all workers. Because if the wage for union members goes up, then it's going to create competition and the wages for everybody in that area. Everybody in that industry are going to have to go up. So even if you're not in the union, even if you're not paying union dues, you still benefit from there being a union in your area, in your industry. And so that increases benefits for everybody, right, in terms of decreasing unemployment, raising wages, people can spend more money on the things that they need, be able to pay their bills through times of economic shock, like COVID.

So while some workers are against unions, they may not realize that having a union benefits them whether they're a part of that union or not.

MS. LIU: Jennifer, there are a number of questions in the queue about whether any of these ideas benefit rural areas and, in particular, whether there are any kind of best practices in engaging rural areas in revitalization.

I know you've done some work on this. I don't know if Bill and others want to add to it. But what's your thoughts on the benefit of rural areas?

MS. VEY: Sure. I mean I think we've structured this in a way that could really benefit all kinds of communities that met our broad eligibility criteria.

So part of this is what we mean by rural too, right. So we broke down the numbers and our criteria focuses on low-income communities, but also communities that have some level of market strength, right, because this is about a mechanism that allows resident investors to build wealth, the projects have to be in areas where there is some degree of assets and market traction to allow those projects to be successful, right.

So our eligibility criteria lays all that out and we wind up, you know, in terms of purely rural places, meaning non-metro, micropolitan, or other places. Only about 5% of communities would be eligible. However, if you expand that definition out, you know, to — look, there's a lot of places that have rural characteristics that are right within metro areas, right. And there's plenty of those communities that are included in our eligibility requirements.

So all this is to say is, you know, the proposal could benefit projects that are in a whole range of areas, whether they're in urban areas, more suburban areas, or areas that vary on kind of their ruralness spectrum. The point really is to create these mechanisms that allow resident engagement and that allow them to be locally driven with local partnerships.

So, you know, wide-ranging benefits.

MR. GALSTON: Amy, you know, as they frequently say in your nation's capital, I'm glad you asked. Because, you know, let me just single out one proposal that I think ought to appeal to Democrats and Republican, to advocates of assistance for small towns and rural areas, and also advocates of assistance to low-income people and urban areas. And that is universal broadband access. Haven't we learned through this crisis that if you don't have that connection, you are shut out not only from economic opportunity, but even education, which turns out in moments of crisis to be completely dependent on broadband access.

Almost 100 years ago President Franklin Roosevelt defined access to electricity as one of the attributes of what might be called economic citizenship. And he set up something called the Rural

Electrification Administration whose purpose it was to bring electricity to people who were remote, who were not well off, you know, who were hard to serve. I mean if you're talking about people in small towns and rural areas, it's expensive per person or per family to provide that. But if you're talking about an equal basis for opportunity in education, it was absolutely critical.

Well, broadband is the electricity of the 21st century. Can't we get together? You know, people who want to do right by low-income people in urban areas and people who want to do right by people who are disadvantaged in small towns and rural areas, and just put it together, make this investment.

You know, and this falls into Bill Gale's category of investments that produce serious economic as well as social returns. We can bring a whole lot of communities and disadvantaged groups closer to the mainstream of the American economy as well as American society. A fair amount of money is already available to move in this direction because of a recent sale of broadband and it wouldn't take that much to put together the pot of money and the mechanism needed to make universal broadband access a reality within the next five years. We can do it.

MS. LIU: Well, we have five minutes left in the program and I want to ask a closing question to all of our panelists and I hope that you can answer it in one minute each.

And amid an environment of enormous division and even stalemate in Washington, can you offer a thought on what gives you optimism that your policy idea will have traction among federal policy makers?

Kristen, you go first.

MS. BROADY: So I think I'm encouraged by the recent elections. And so I do think that we will see increased funding for higher education. And considering the fact that our new vice president did attend Howard University as a member of Alpha Kappa Alpha Sorority and understands the connection of HBCUs to the workforce, I think that the connections that I hope to see will happen.

I also hope that there will be increased support for unions, maybe not to the extent that we would propose, but more so than we've seen in previous decades. And I think that as far as workforce training, that's going to have to happen as some companies can continue to work on line and others return to a face to face environment that is different than the previous one. So some level of workforce training will have to happen. I hope that it gets close to the amount that we propose.

Thank you.

MS. LIU: And in addition to the vice president being an alumni of an HBCU, we also have a first lady who is a champion of community college.

Jennifer?

MS. VEY: Sure. So, you know, one thing I think that COVID has certainly given more light to is the deep place based inequities that we have. Certainly these have been going on for generations, but I think finally more people are awakened to this fact. And I think because of that, I think there's a real hunger for more policies that focus on place, right. It's certainly vitally important that we be lifting up people, but we know that geography has such an important influence on people's lives. And I think we're looking for new ways. And I think even when you look at something like Opportunity Zones, just the fact that people are still talking about them, there's a lot of proposals on how to make them better because it's not — it's a program not without its problems to be sure. And even Joe Biden has proposed some of the ways that that program could be reformed that perfectly align with what we're saying. You know, more local involvement, better criteria.

So I think people are hungry. We know coming out of COVID all the disparities that we've been experiencing for so long are just all the worse. The impacts, the health impacts, the economic impacts. And so we're going to be needing to focus on our communities. And I think people are going to be eager to be looking for new ideas. As I mentioned before, a lot of this is out there already, it's happening in communities. And so this is a way to really seize on those innovations and push them forward.

MS. LIU: Bill Gale?

MR. GALE: All right. You're asking me a political question whereas I can barely keep up with economics. But I think the optimistic note I would strike is that whatever we're doing now in D.C. politics, it's not working. And so I don't want to say things couldn't get worse because we have found repeatedly over the last couple of years that they could. But if I were betting on this, I would be betting that with the new administration and maybe a new tone in the city, that things would generally start getting better. I can't give you a specific mechanism, but I think a new day can't really be bad news for the political situation.

MS. LIU: Bill Galston, in a minute.

MR. GALSTON: Well, I'm going to give you an evidence based answer, Amy. A finest Brookings tradition. If you look at the process that has gotten us to the threshold of a new relief bill, it has been a bipartisan process of rank and file members in the House and the Senate, bipartisan and bicameral revolting against leadership that has seized all the power for itself and then has been unable to exercise it very productively. And I'm enormously encouraged that the logjam was broken not from the top down of the Congress, but from the bottom up. This is a potential new model of how to get things done and build consensus from the center out, rather than from the leaders down. And if these new groups are energized by success, then they could begin to reclaim power from leaders who have shown that they cannot wield that power responsibly and effectively.

MS. LIU: Bill, thank you for closing on that — and for all of you on that — optimistic note. I do think that we're at a moment where times demand us rising to the occasion of getting some real problem solving done.

I want to thank our panelists for your contributions to today's event and to the whole project overall. For you viewers, I want to just offer a couple of reminders. We are going to release the next set of federal policy papers in the Blueprints series in mid-January, which I mentioned was on governance. And do look for additional ones in foreign policy, international security, foreign governance, and climate change over the next couple of months.

And our next public event on the Blueprints series will take place on January 6 and will focus on racial justice and worker mobility.

So do come back and join us in the New Year. Until then, happy holidays and thank you for joining.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

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

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2024