

THE BROOKINGS INSTITUTION

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INVESTING IN ALL OF AMERICA:
THE BIDEN-HARRIS ADMINISTRATION'S PLACE-BASED APPROACH

A CONVERSATION WITH NATIONAL ECONOMIC ADVISOR LAEL BRAINARD

MONDAY, JANUARY 22, 2024

OPENING REMARKS

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KEYNOTE SPEAKER

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BERUBE: Hey, good afternoon, welcome to Brookings, for those of you who are here with us in the auditorium -- so many friendly faces, great to see you. And for the many of you who are joining us online today, I'm Alan Berube. I serve as the interim director and vice president at Brookings Metro. And we're honored today to host Dr. Lael Brainard, President Biden's national economic advisor and the 14th director of the National Economic Council.

We're especially pleased, of course, to welcome her back to Brookings. And that's because before many of her most important positions in federal service, including as vice chair of the Federal Reserve, as Treasury undersecretary for international affairs, Dr. Brainard hung her hat here at 1775 Massachusetts Avenue. She was the founding vice president and director of our Global Economy and Development program. I think she actually started here in our Foreign Policy program - at least that's what the Foreign Policy people here tell me. Given that she heads the National Economic Council, our Economic Studies probably lays claim to her as well. As JFK said, success has a thousand fathers, including here at Brookings.

So you might ask, if you're the sort of person who follows this inside baseball think tank stuff, what are you Brookings Metro people doing here? So the topic that brings Dr. Brainard to Brookings today is actually one on which Brookings Metro researchers have been focused for some time: how to grow the economy by investing in places. And you'll hear later from my colleague at Brookings Metro, Mark Muro. His research has shown that the vast majority of growth in America's high tech, high innovation sectors over the past couple of decades happened in an exceedingly small number of regions. Over the same period, significant swaths of the country lost good jobs due to heightened international competition, a prolonged recovery from the Great Recession, and, frankly, policy drift. Since the end of the pandemic recession, however, the story has been very different. My colleagues Glencora Haskins and Joe Parilla found that nearly half \$1 trillion in private and industrial investment commitments since January 2021 have landed disproportionately in counties with below average employment rates. And over the past year, a larger share of U.S. metro areas gained jobs than at any time in the past 35 years. So, as Dr Brainard will describe in her remarks, spreading growth to more places on the U.S. map has been an explicit aim of the Biden-Harris administration. It's a goal that's embedded in the design of dozens of policies and programs in major bills, such as the Infrastructure Investment and Jobs Act, the CHIPS and Science Act, and the Inflation Reduction Act. These efforts essentially aim to prime the pump for much of this announced new private investment and nationally significant industries like clean energy, semiconductors and biomanufacturing. And they mark a departure from prevailing economic policy approaches of the past.

So after Dr. Brainard outlines the administration's case for this place based strategy, she'll have a dialogue with her own Mark Muro about what it will really take to ensure that more investment translates into more prosperity in more places. And then we should have a little bit of time to take Q&A from our live audience here at Brookings. So we're incredibly grateful to you, Dr. Brainard, for coming back to Brookings to talk about this important agenda. So with that, it's my pleasure to welcome to the podium National Economic Advisor Lael Brainard.

BRAINARD: Well, it's really good to be here at Brookings, and I want to thank Alan for that really kind introduction and look forward to the conversation with Mark. As Alan mentioned, what I'm going to talk about today is something that experts here at Brookings have been working on and, uh, really, uh, pioneering, uh, for many years now. I want to focus on, uh, place-based growth. Uh, when communities across the country thrive economically, so too does our overall economy. And from that basic reality comes an important insight. We're much more effective at growing the economy when we lift communities up rather than leaving them behind. Take the alternative, I think it's often shorthand as trickle-down economics. Trickle-down is holds that getting the government out of the way by cutting investment, by cutting taxes at the top, will generate wealth and income that trickles down. That approach has been tried and tested, most recently, I think, in the previous administration. And the reality has not matched the rhetoric. Trickle-down has generated wealth and opportunity for some, but at the expense of widening inequality, deteriorating infrastructure in some cases, fragile supply chains. It led to growing regional inequality, with some areas actually seeing declining economic opportunity, labor force participation declining, especially for workers without college degrees. It meant to many communities across our country were left behind and left out. Businesses chased low taxes, low wages, often nonunion labor, resulting in an exodus of unionized manufacturers from regions like the Midwest. In those communities, tax revenues dropped, resulting in an

erosion of local public investment, and then communities too often fell into a downward spiral of disinvestment. Those trends were exacerbated by the China shock, which by some accounts wiped out nearly 1 million manufacturing jobs. Take Milwaukee's 30th Street industrial corridor. There, you saw during the Great Migration, Milwaukee's black population multiplying. By 1970, more than 40% of black residents in this industrial corridor worked in blue collar jobs, a rate that was higher at the time than Detroit. And many of those families got jobs that enabled them to join the middle class. But then manufacturers moved to other regions or other countries. And Milwaukee lost nearly half of its manufacturing jobs. Redlining exacerbated the effects on the 30th Street industrial corridor, and those forces didn't just hollow out communities, they actually hollowed out the middle class.

The president came to office determined to grow the economy from the bottom up, in the middle out. That means investing in the communities that were left behind by trickle down. It means investing in the workforce and infrastructure. It means providing incentives to encourage businesses to invest in areas that had been disinvested. It means supporting small businesses on Main Street. Many economists agree that place based policies punch above their weight in distressed communities. They can build more resilient, productive and innovative communities and revitalize places like Milwaukee or Allentown, Pennsylvania. The president's economic agenda combines targeted investments in industries such as infrastructure, clean energy, and semiconductors with economic and community development policies that are reaching communities that were previously left behind. I'm going to briefly go through six principles that guides that policy.

First, well-designed public investment in local communities is a force multiplier for private investment. Communities often need a helping hand to arrest a downward spiral of disinvestment and declining local revenues. That's why the bipartisan infrastructure law is connecting every home, school and small business to high speed internet. Building resilience and fixing roads, bridges, airports, ports and rail that are the connective tissue of commerce all across our country. Take Allentown, Pennsylvania, once home to major iron and steel manufacturing. The administration has invested hundreds of millions in rebuilding roads and renovating airports in the area, alongside strategic federal economic development dollars and new private investments in manufacturing. Today, the Allentown area is experiencing investment, employment and small business boom.

Second, there are special incentives to unlock private investment in communities that are suffering from disinvestment. For instance, Inflation Reduction Act tax credits set aside 4 billion in additional incentives for clean energy manufacturing investments in energy communities, places at risk of job displacement due to the energy transition, as well as low-income communities. And that approach seems to be producing results. A Treasury analysis found that clean energy investments are growing fastest in traditional energy communities. Providing special incentives to encourage private investment in hard hit communities is an intentional policy choice. Research suggests that those public investments yield a greater return in hard-hit communities for each dollar spent. And that's especially true for improving employment outcomes. The I.R.A. provides bonus tax credits for small scale solar and wind projects that locate in low-income communities, bringing clean energy and lowering costs in places where the private sector would be less likely to invest on its own. That same study by Treasury found that close to 80% of IRA investments have gone to counties, with median household incomes below the national average. And for the first time, local, state and tribal governments as well as nonprofits can access clean energy tax credits as direct payments.

Third, special programs are designed to connect left-behind communities to nearby areas of economic opportunity. For instance, the Department of Transportation's Reconnecting Communities pilot program is a first of its kind, \$1 billion program to reconnect communities that had been cut off from job opportunities, public transit, and educational training opportunities by the placement of major highways or other physical barriers. In Buffalo, New York, this program is allocating over \$55 million to build a new cap and tunnel to cover the Kensington Expressway, which cut off east and west side of roads that previously connected those residents to community services, food options and opportunities. This has been a community priority since the 1980s. The Department of Commerce's Recompete program is a new grant program that will invest 200 million in connecting workers to good jobs in economically disadvantaged neighborhoods that are often disconnected from opportunities that are only miles away. We also recognize that distressed communities are the least likely to have the capacity to proactively identify and seek out

federal opportunities. That's why the administration is finding ways to reach out to communities and help them reach back like the Rural Partners Network, which is a whole of government initiative that sends federal staff to 25 rural communities to help them access federal resources.

Fourth, our programs help support science and innovation clusters all across the country, not just in a handful of major metros. Just five metro areas represented more than 90% of the nation's innovation sector growth from 2005 to 2017. I know this is a big focus here at Brookings. The Chips and Science Act Regional Technology and Innovation Hub program the Tech Hub program allocates resources on a competitive basis to help innovation clusters around the country reach the next level. Just recently, it designated 31 tech hubs focused on building competitive innovation clusters in areas like clean energy, semiconductors and artificial intelligence. The same act also established the NSF Regional Engines program that will award up to ten years of grant funding on a competitive basis to help advance research and development for the nation, while supporting opportunities for jobs and training in particular innovation clusters across the country.

Fifth, many of these programs are designed to lift up the priorities of local communities, as opposed to a one size fits all, top down approach. Decades of experience indicate that policies are only as good as the degree of community engagement and ownership on the ground. From Recompete to Tech Hubs to NSF Engines, these efforts are competitive, grant based programs that encourage local coalitions of educational institutions, businesses, labor, tribal organizations and nonprofits to pitch proposals designed around the community's economic vision, challenges, and special assets.

And finally, we find that by stacking federal investments, the whole is greater than the sum of the parts in supporting economic comebacks. Milwaukee, again, is a good example of how different federal programs work together to benefit the whole community. Infrastructure funding is not only removing lead pipes and providing clean drinking water for Milwaukee's childcare centers and homes, it's also supporting local small businesses like Rashawn Spivey's plumbing business. Milwaukee's 30th Street Industrial Corridor also recently received a Recompete program designation. This is on top of efforts to increase access to affordable housing and health care. In a recent visit to Milwaukee, the president said the goal is to make sure Milwaukee is coming back - all of Milwaukee is coming back. Indeed, since the president took office, small business applications are up 70%. The share of black people employed in Milwaukee has reached the highest in more than a decade, and billions are being invested in manufacturing, environmental cleanup, infrastructure and small business. The Baltimore area is similarly benefiting from stacking federal investments. Infrastructure law is investing 4.7 billion in Amtrak's Frederick Douglass Tunnel, which is expected to create 30,000 jobs. A new workforce hub is already generating commitments to train and place hundreds of Baltimore residents in apprenticeships that will lead to good paying jobs and also create an attractive workforce for new investors. The city's also been designated a tech hub, growing its AI and biotechnology sectors to lead in predictive health care.

So let me just wrap up by saying good economic policy starts with a basic insight that communities are where economic development happens, where people connect with jobs, develop their skills, start businesses, make their homes and raise families. President Biden came to office determined to invest in all of America, to leave no community behind. So far, we believe it's working. New jobs and new small businesses are creating hope. Communities that have been left behind are making a comeback. So with that, let's turn to our discussion. Thank you.

MURO: Well, thanks. Thank you so much for those really thoughtful remarks. And it's just extremely important topic that we're addressing today. And so we're really happy to dig in. And you can see lots of people are interested in this. I wanted to start with maybe your views on what is distinctive about place-based policy in light of, as you detailed, something, you know, 40 years of really struggles with policy in general in this country. What are what exactly does, place-based, to a place-based approaches, bring to the table? And you know, what is their special, you know, what is distinctive about them, aside from just a logic that they focus on place when others don't?

BRAINARD: Yeah. So I think, uh, what is important about place-based policies is that they do grow the economy from the bottom up. They do recognize that investments, small businesses, employment, those all start at the local level in communities and that it's communities where you start to see, all of those

initiatives coming together to propel broader economic opportunity. Generally speaking, it requires, not just having broad, programs that are basically at the nationwide level, but coupling that with intentional programs that have either special incentives like the tax credits that I talked about or special public investments that can work in partnership with community leadership to build up those communities.

MURO: So these programs are not substitute for other programs that we may have. In some cases, they're an additional, at addition in certain ways.

BRAINARD: Yeah, yeah. So I think that's a really important point. It's a very important, that place-based programs and incentives work hand-in-hand with federal nationwide programs, if you think about it. In fact, in Allentown, the president was meeting with small business owners. Lauren and Juan Vargas started a coffee company, and they said, you know, we couldn't have started the coffee company without not just the place-based investments in local infrastructure and some of the place-based awards that are going to the local community. But they also took advantage of health care, being able to sign up for the ACA, they took advantage of childcare in the ARP, which freed them up to be able to participate and take a risk. They got small business support from special programs at the Small Business Administration. So we really think about all these programs working together to enable a community that's been left behind, come back.

MURO: Do you. Are there particular areas of policy that you think, particularly lend themselves to place-based solutions? Obviously, there are others that should be universal. And so - do you have general thoughts about that? Certainly, that seems like a long area list of areas where this is quite adaptable and can be used.

BRAINARD: Yeah, there's probably a spectrum of policies, some of which are, you know, very appropriate to be made available at the national level. Others which need special incentives to tailor them to be able to benefit local communities. So I talked earlier about the IRA tax credits. Those are available across the country. They encourage investments in things like clean energy, electric vehicles. But then there are bonus tax credits for the private sector to give them special incentives to invest in energy communities or low income communities that have been left behind by private sector investments. And then the other kind of end of that spectrum are policies that are inherently very, uh, local in nature. So if you think about roads and bridges, and helping ensure that local law enforcement and firefighting are well resourced, those are very much place-based policies.

MURO: Very interesting. I mean, you travel a lot, and see a lot, as does the president. I'm wondering what you're hearing at this early stage. You know what, how are these programs touching down in real places or are they connecting with local residents, do you think?

BRAINARD: Yeah. So, I mentioned earlier, the example of Rashawn Spivey, who has a plumbing company. I think it's called Hero Plumbing, in Milwaukee. There is a lot of new work in replacing lead pipes under the infrastructure law to meet the president's goal of clean drinking water for the whole country within the next ten years. So that creates a lot of opportunity for small plumbing businesses. We also have support for small businesses, very strong support in the recovery program and ongoing support that's helpful. But those are examples where community members can see they have small businesses that are coming back. They're revitalizing Main Street. You're also getting community benefits, uh, at places like childcare centers, schools, homes. And so there is a nature of the sum being, or the whole being greater than the sum of the parts.

MURO: Yeah. What are some of the ways that, you know, you would gauge success? I mean, obviously it's very early. We're talking about, you know, this is a long term process and reinvesting in places and turning them around. But what are some of the kind of markers of success you would love to see maybe in the near to medium term and then, you know, longer term.

BRAINARD: So we are carefully monitoring metrics that we think are indicative of progress along the way. So in many communities that had seen many years of sub-national employment performance, unemployment rates that were consistently elevated relative to the national average, um, labor force participation rates, that's a particularly telling one where you have a big portion of the prime age population in

particular, not participating in the labor force that really speaks to disinvestment. And that downward spiral that I was talking about earlier, small business creation. So we have local data on all of that, as well as local incomes, and so we are tracking, locations that had been quite disadvantaged or distressed for improvements. And in places like Allentown and Milwaukee we've seen really big increases in both participation in small business creation as well as unemployment now coming down consistent with the overall economy. And of course, we're seeing those trends very much in the aggregate as well, with lots of job creation and strong growth, while we're also seeing big investments. And so we look for local business, local investment numbers as well.

MURO: Yeah. So this can give you the possibility of iteration and change and learning learning as you proceed. I wanted to ask, also about the adaptability of these programs does seem a strength, uh, potentially. I wonder if you see this approach as equally valuable, you know, in different contexts, neighborhood versus whole region, uh, maybe rural and urban, uh, you know. Is this so flexible that it gives you inroads and ways to address a very wide array of issues? Or do you see it as, you know, less, you know, more focused on particular?

BRAINARD: So I think some of these programs do have particular features that do recognize that some of the challenges in rural areas are going to be quite different than some of the challenges in medium sized metros, for instance. So USDA has a whole set of both resources that are out in the field trying to support rural communities and to help those communities take advantage of all these federal resources, like the Rural Partners Network that are somewhat tailored to rural communities. Some of them are tailored to energy communities because they have very special challenges associated with the energy transition, like the special tax credits. So there is some tailoring but there's also for the competitive grants programs. It's also encouraging the local community to define what their most promising sets of investments might be, and to propose those as opposed to somebody sitting in Washington trying to guess which, which doesn't work very well, we've seen in the past.

MURO: Right that the, I think, I think this begins to bring up the issues of capacity in places. Just wanted to, you know, clearly, you know, you cited very interesting research that shows that there may be a greater bang for the buck from these investments in the most distressed places. But those are also the places that have been disinvested have seen erosion of local institutions. How do you think how are you thinking about that, where you're utterly dependent really, on scores of, you know, regional actors? Is there how are you thinking about building that capacity to deliver for the country?

BRAINARD: Yeah. So it is really important. I mean, part of the reason that you get the bigger bang for the buck is because you have these underutilized resources, whether you have an infrastructure that might have been very important for a period of industrialization where some of those large manufacturers have left, but you still have the potential transportation connections and the infrastructure there. And similarly, you often have a population that is skilled but disengaged or less well-utilized. And so that's why I think you see some of this research suggesting these dollars really do have bigger bang for the buck. But it is really important that we work with the communities, local officials, regional and state officials, as well as with, often, coalitions, that could include local anchor institutions, educational and health institutions, businesses, labor organizations, sometimes philanthropic organizations, nonprofits. So there's a lot of resources that if you pull them together, will help make sure that those communities are accessing the resources, and not depending on the local community to be able to figure that out all on their own.

MURO: And it sounds like you're in for the long haul, in the sense that this, you know, will require a sea change in some ways of how we have designed and delivered programs for 40 years or longer.

BRAINARD: I mean, the president has really tried to build this into laws that, you know, have multiple years of investment and should create incentives for the private sector over a decade. And, of course, when those infrastructure investments, those private sector investments take hold over a multi-year horizon, they tend to have a positive spiral of investment, public investment, leading to more private investment in improving the resources of the area, to continue investing in that public infrastructure that makes the private investment so much more profitable.

MURO: How about the government's own management of these programs? How, you know, how are you thinking about the constellation of, you know, dozens of agencies and the ability to deliver that sacking that you talked about, which is another word for also coherence. You know, seems like that seems like an important challenge for the government.

BRAINARD: It is, I think, an important challenge. On the one hand, you know, the individual departments have new responsibilities. Many of these programs --

MURO: In this direction.

BRAINARD: -- in, absolutely. So whether it be the Treasury Department administering the IRA tax credits, the Department of Transportation with the Reconnect program, CHIPS, the Science program, and at the Commerce Department. So what's very important, both at the kind of White House level is to pull all of the agencies together so that we are implementing policies in a whole of government, joined up approach. But then it is also important to have that, whole of government approach at the local level. And that's why I was talking about making sure that we are actually working together. If USDA has, local staff on the ground, all of the other federal agencies can take advantage of the relationships they've developed in order to make their programs more effective. And that's true of the other agencies as well. They may have local officials that can help make sure that we have a whole of government approach at the local level.

MURO: So coordination, it's an ongoing, you know, challenge. How are you viewing, I mean, there's there's a strong popular, you know, possibility, I think, of bipartisan support around this, and some of the origins of these ideas also had a bipartisan stamp. Do you see some possibility of durability through the through the next, you know, changing governments going forward, or how do you see it? I mean, since we aren't talking about a 30 years, 30 year change, really.

BRAINARD: Absolutely. So, I mean, the way the president talks about this, I think, is intended to emphasize exactly that. When he says investing in all of America, he really means investing in all of America. Wherever those investments go, it's good because it creates those opportunities for Americans in communities all over the country. And, it is true that many members of Congress who perhaps did not vote for some of these laws, they still are excited about what they're seeing on the ground in their communities. And over time, I think it becomes, just, good for the local communities to continue to support some of these programs because you will have beneficiaries on the ground speaking to how important the completing the bridge is or addressing the major artery kind of blockages that have slowed down commerce through the area and increased costs and made it, you know, less attractive. If we're fixing that, uh, everybody's going to want to be, you know, taking credit for that.

MURO: Yeah. I mean, the work is showing, you know, quite a very a wide diversity, distribution of these programs and I gathered that as a strong focus of government.

BRAINARD: We're seeing, you know, we track the private investments on CHIPS and Science and in the semiconductor supply chain, as well as in the clean energy investments, battery investments of the infrastructure law and, the Inflation Reduction Act. And, you know, you really can see the distribution. We've got maps and an Investing in America website where you can see the distribution across states. It's really quite remarkable. And as I noted earlier, there's a really good Treasury study that shows that these investments are disproportionately going to areas with less than median household income. So we, we do see evidence that these investments are being made broadly.

MURO: Do you, as you look at, building the capacity of all places, you know, are there particular initiatives within this, the federal government as well, to see different arrangements or different models for delivery? I mean, it seems like this is forcing change across every layer of the government.

BRAINARD: Well, it certainly is --

MURO: And local, as well.

BRAINARD Yeah, I think it is. I mean, certainly some of the competitive grants based programs, we're going to learn a lot from those, right. And they are intended to award the funding on a competitive basis, you know, based on certain criteria. And of course, we'll have to be tracking the results of those very carefully. So I think we will, over time, learn a great deal about which of these mechanisms are proving to be most effective. And then that will inform additional policy decisions, additional funding decisions as we go forward.

MURO: Learning by doing, right.

BRAINARD: Absolutely.

MURO: Well, you know, I think at this point I'd love to open that up. I think there's a lot of interest for different, you know, perspectives here. So let's, right off, why don't we start here and we can go, we have a good amount of time.

AUDIENCE MEMBER: Hello. I'm Ken Moriarty from Nikkei Asia. Thank you very much. My question is about how foreign investment fits into this story. On Nippon Steel's acquisition of U.S. Steel, you've said that you should conduct a serious scrutiny, a review. Um, if Nippon Steel has committed to preserving jobs and as well as past commitments to union, does that not help everything you said today?

BRAINARD: Yeah. So, generally speaking, let me start by saying that, um, we have seen record foreign direct investment into the U.S. as part of the Inflation Reduction Act, and CHIPS and Science incentives. And we really welcome that. Those investments are a big part of the story. I think the positive story that's generating jobs and the kind of productivity growth that we've seen in the aggregate numbers recently. When it comes to particular acquisitions, obviously we have law in place that is designed to ensure that national security is taken into account as well as supply chain resilience. Steel is an industry that has very important national security considerations. We've seen that in previous policies, as well as it is a part of critical supply chains. And so the particular transaction does merit serious scrutiny under our laws.

MURO: Great, here. And please introduce yourself, as you know.

AUDIENCE MEMBER: Good afternoon. And thank you for being here. My name is Jeff Krasny. I'm interested in the Infrastructure Act and a lot of other things that the Biden administration has done particularly well. I'm interested in your point four, when, when you talked about that within your remarks. More specifically from an innovation perspective in AI and jobs, Steve Case, an entrepreneur, many years ago talked about the rise of the rest, meaning that there were many cities around the country that were not being capitalized and more specifically, Silicon Valley or Cambridge, more or less focused in on a lot of innovations. So my question is, how do you actually spread the opportunities to other cities that do want to take plate? Do you want to have more of an effect on innovation and artificial intelligence?

BRAINARD: So great question. I think you've done quite a bit of research on this as well, so you should jump in if you, if you wish to. So it is the case that we've seen this incredibly concentrated set of metros accounting for the large majority of innovation. But that is not, sort of, inherent in the process of innovation. We know in particular with the digitalization of the innovation that a lot of work can be more, taking place in more innovation clusters around the country, and that there's a large number of really important societal challenges to work on. And there are great educational anchor institutions all around this country, as you know, and those often can serve to be the kind of anchors for innovation clusters. And that's why the NSF Regional Engines program is really designed to try to seed some of that, as is the Tech Hubs program at the Commerce Department. So I think partly by spreading some of the federal R&D resources, public resources based on competitive grant proposals and intentionally trying to seed multiple innovation clusters. We can help with that process. But I'll, you should jump in because you're really the expert.

MURO: I just add, I mean, digital economies, I think, exacerbated the initial problem. They made it. They, they rewarded all of very local clusters of talent and technology and so on. But they've also allowed, I think, different potential geography going forward. And I think that's that's where it's very important where further investments occur, because they could either reinforce, you know, a narrow map or they could push

against narrowness and seek to widen it, you know, and I think that's what the country faces, you know. Good question. Maybe here and then we'll go in the back. [Inaudible]. There you go.

AUDIENCE MEMBER: Thanks, Andrea Shalal with Reuters. I wanted to sort of ask a couple of follow-on questions about your your remarks. One is, we are in an election year, and you talked about President Biden sort of building mechanisms into these programs to keep them going. But can you say specifically what additional actions you expect the administration to take this year? So you've given us an overview of how the policies are working and what they're intended to do. What do you see? And, you know, do you expect more measurable results this year? Because one of the things that we're seeing when we're out in the field, and I just got back from Iowa, is that despite the high level of investment into rural places, for instance, the voters there are not necessarily connecting the dots. So I know that, you know, Mitch Landrieu went around the country to sort of talk about the infrastructure law and, and just sort of show people. But do you is there some way that the Biden administration can make that visible, or is that really just a function of time? And then secondly, we're hearing just in these last few days that the Chinese economy is doing much more poorly than people had expected. And we know you mentioned the China shock that happened in the past. But like what what do you see as the impact of this, you know, significantly slower growth in the world's second largest economy, particularly on these kind of rural places.

BRAINARD: Okay, so on the first one, I think that we are seeing the kind of roots taking hold in local areas. And when you have a chance to really sit down and talk to people, which I think the president has been able to do a little bit more recently, just sit and talk with small business owners or with a family, it is interesting how they cite multiple policies as being really instrumental in their own ability to take certain jobs or start certain small businesses, see larger investments taking place in their local communities. So the effects on the ground are measurable. We do see that in terms of, again, just much better employment outcomes, greater engagement by the local workforce and participation, unbelievably strong small business creation record, you know, each year for the last three years, stronger than any year in the previous administration of small business creation. And so, you know, when you see your Main Street being revitalized like that with new small businesses, particularly after so many had shut down during the pandemic, I think it really does create hope in that local community and a sense that there are new possibilities, to, to kind of stay local and make a real living and a life there. And of course, at the national level, we're also, you know, we got just incredible improvement on employment and growth, productivity, and inflation coming down at the same time, which really hadn't been predicted. Inflation really moving rapidly to pre-pandemic benchmark, and, you know, last week we saw consumer sentiment really a huge bounce upward. So it really is starting to feel better to so many Americans.

MURO: Great. But let's go back.

BRAINARD: Sorry, China. So, on China, you know, the U.S. Economy really has been diversifying over the last few years, and you can see that in a variety of different data. And so for the U.S. economy, I think, the sort of more lackluster recovery in China has not been a particularly strong kind of channel or effect on, on the U.S. economy. But it's certainly true that there are countries in the region and other countries that are much more closely linked to China's development. And for them, the lackluster growth in China has been more of a drag.

MURO: I'm just going to insert one question from the internet, and then we'll return to the programing here. The the writer asks about two particular kind of challenges, those rural, in rural communities that, that this person argues are especially hard hit and also in urban neighborhoods with large underrepresented populations, is I would just ask are place-based solutions particularly amenable to those conditions? And, and how are you thinking about that? It seems like you have several examples of [Inaudible]

BRAINARD: Yeah, yeah. So I think particularly for rural communities and for communities that are disconnected and that are distressed even within broader metros, place-based policies are essential for those kinds of challenges. I think they're absolutely integral to the solution because those communities do suffer from a downward spiral. They don't have the local investments that would give them the local fiscal resources. And so you see a downward cycle where there's less ability to invest in infrastructure, in law enforcement, in education, and it becomes a less attractive area. So it's really important to have federal

resources as well as state resources to arrest that. And, you know, I would just point to things like the Reconnect program, the Recompete program. I mean, the the example I was giving you is literally trying to address a thoroughfare that cut off a community. And we see those in major metros all over the country, right where the local community got disconnected from all the job opportunities by, you know, by policies that, you know, in some cases were intentional, you know, redlining policies.

MURO: Some of this is, I mean, the earliest place-based programs in modern times really were focused on these issues. And --

BRAINARD: Exactly.

MURO: -- it sounds like you're thinking is is widening the ambit a bit. But let's go back, some, some a couple questions from the back here. How about you, do introduce yourself.

AUDIENCE MEMBER: Hi. Claire Jones from the Financial Times. Thanks a lot for the talk, it was really interesting. Just one point to kind of go back to your old hat as someone who is formerly the Federal Reserve, you know that a lot of this relies on investment, not just government policy. We've shifted away from an era of high end of low interest rates to one where it looks like interest rates are going to be a lot higher than pre-pandemic. For the foreseeable future, how much do you think that is going to weigh on the degree to which you can, you know, hope to get companies and the private sector to really invest in some quite, you know, perhaps risky projects and in risky areas? thank you.

BRAINARD: Yeah. So, I can't comment, obviously, on Federal Reserve policies, but I can say that, you know, market projections have been much more optimistic recently as inflation has come down very, very rapidly relative to almost all the forecasts that are out there. And so we are seeing, you know, some of the longer term financing rates moving down again, based on market-based factors. I will say that you're exactly right that what's important is private investment. But in many of these areas, private investment was not robust during the previous era that you're talking about because public investment, you know, had been so poor for such a long time that these simply weren't attractive, you know, just purely private, sort of return perspective. And what's different about the set of policies that we're putting in place is they encourage private sector investments by special incentives, that make it more attractive to put an investment in an area that had been disinvested or an energy community. So it's really trying to work with market incentives to improve that. The other thing I'll say is I spent a lot of time when I was at the Federal Reserve on community development. They have a phenomenal sort of resources around the country and communities. And one of the important rules that they oversee does encourage private investment through the Community Reinvestment Act, and it's exciting to see the kinds of new and incentives that the new Community Reinvestment Act rules will encourage in those very same communities.

MURO: Great. How about back here? Yeah, introduce yourself please.

AUDIENCE MEMBER: Thank you. I'm Brian Darmody with the Association of University Research Parks. I want to applaud the Biden administration for the CHIPS and Science Act, etc.. And, you know, we represent places across the U.S in 42 states, but, the one a special program I think is really interesting is the SBA has a growth accelerator program. It's, you can get up to \$250,000. You need to send in 12 slides and it's prize money. And I'm not saying every federal agency could have that, but if we try to get more HBCUs and, uh, community colleges to go after some of these grants, many of them are incredibly complex and you have to have a form SF five seven two. So piloting that kind of program that the SBA has done for other federal agencies to get more of the places, you know, the rural places in some of the urban places, I think would be a great, a great initiative of the Biden administration.

BRAINARD: Well, thank you for the shout out on the accelerator program. We're very excited about as well. And I think your point about helping more institutions take advantage of something, it's something that we're really trying to do, but we would love more suggestions about, you know, how we can how we can get more institutions to be aware of and and able to apply for some of these.

MURO: Great, gentlemen back here. Yeah.

AUDIENCE MEMBER: Yes, my name is Roger Cochetti. I'm an editorial contributor to The Hill newspaper, and my question is somewhat goes back to the somewhat more philosophical. You opened your remarks by providing what are the most people would say is that is the most common critique of laissez faire, which is that you get a small number of winners in a few locations versus a large number of losers in a large number of locations. But I think it would be helpful for you to respond to the major counterargument, which is from those who advocate laissez faire, that when you have politicians and employees of government agencies deciding on winners and losers and deciding where the money goes and where it doesn't go, you get a lot of bad ideas that can't go away. You got a lot of bridges to nowhere, Bradley fighting vehicles, and you can't stop them because unlike in the marketplace, bad ideas are abandoned quickly. In the government interventionist approach, they can live forever. So how do you respond to the people on the other side of this philosophical discussion?

BRAINARD: Yes. So look, I take the picking winners critique very, very seriously. I think the administration takes that critique very, very seriously and has tried to build in ways that really provide incentives to the private sector. But then the private sector gets to choose whether to invest or not, right. So the clean energy tax credits and the special bonus credits, those are simply out there for the private sector to choose to respond to or not. And what we're seeing is a tremendous amount of self-selection from private sector investors who take into account the credits and decide, well, this meets my hurdle rate, and decide to invest. So they're really making that decision. What the tax credits are doing is simply changing their financial assessment of what it will take to merit investing, making a certain investment. But they're choosing what to invest, where to invest, who to have asco-investors. It's really setting out a set of incentives and then giving the private sector the kind of lead role in deciding where to invest and how to respond to those.

MURO: Ok, back here.

AUDIENCE MEMBER: My name is Jim Amayar. You mentioned specific metrics you all are using to evaluate this approach. Have you all set numeric goals for those metrics, and if so, what are they? And if not, why haven't those been set?

BRAINARD: Yeah. So look, I think we are very much focused on monitoring how communities are doing in terms of some of the markers that have traditionally been associated with disinvestment and falling behind. So seeing those improvements at the local level, I think is very heartening. Monitoring actual investments and where they're going is also important. I anticipate there's going to be a ton of data that we make available or that is available publicly. And I anticipate place like this one is going to do a lot of the really interesting longer term research. I mean, I think there's already some interesting papers that are coming out. So, you know, the U.S. agencies like the Treasury Department has put out a number of early kind of assessments of how the tax credits are doing, but I anticipate that we'll see a larger community of researchers assessing these and obviously will want to keep working to make these approaches more and more effective over time.

MURO: Right. Let's take one one last question. I think we're nearing the end. How about over here? Yep.

AUDIENCE MEMBER: Hello. Thank you for taking the time today to speak to us. My name is Gavin Rocha from Syracuse University. You mentioned before about how the plan somewhat tackles issues related to rural communities. I was curious, could you elaborate further on some of the resources that rural communities could use to grow their communities and help them out?

BRAINARD: Yeah. So Secretary Vilsack has a set of programs that are very much designed to improve, for instance, crops, climate resilience, programs that are working with local farmers to improve the resilience of their yields. There is work to increase local processing capacity, so there's less concentration of poultry processors and meat processors and more opportunities locally. Obviously a lot of the same broader infrastructure investments that I talked about earlier are critically important for rural areas. So if you think about broadband, high speed internet connectivity, game-changer for a lot of rural communities. Similarly, if you think about getting their a produce to market, rail and trucks, making sure that that infrastructure, you

know, is, is updated, modernized, so that you have less of the supply chain fragilities that we saw during the crisis. So there's a whole set of, again, reinforcing different kinds of investments that I think are helping to lift rural communities.

MURO: Well, that's a great place to end. I think we're reaching time. Thank you for the very important speech and generous dialogue here. I, it's a fascinating moment where this is both, it seems to me, both an experiment and a sea change at once. So, it's great to have this discussion. Thank you for coming. And with that, we will end this place-based discussion. So, yeah, thank you very much

BRAINARD: Thank you.