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TOWARD A POTENTIAL GRAND BARGAIN FOR THE NATION

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WELCOME AND INTRODUCTION:

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HARRIS: Yeah. We're good. Okay. Good afternoon, everyone. My name is Ben Harris, I'm the Vice President and Director of Economic Studies here at the Brookings Institution. It's my pleasure to welcome you to today's discussion on a Grand Bargain to Strengthen the US Economy, which we are co-hosting with our colleagues at the American Enterprise Institute. So today we gather at a moment when our nation faces significant economic challenges that demands thoughtful, bipartisan solutions. The issues before us from fiscal responsibility and economic growth to tax reform, health care, education and environmental policy are complex and often contentious.

Yet there are far too important to remain trapped in partisan gridlock. Today's event marks an important step forward. Several distinguished economists produced a comprehensive report demonstrating that we can find common ground while maintaining different viewpoints. Their work proves that disagreement need not prevent progress and that principled compromise remains possible on even our most challenging issues. Among the many smart observations to emerge from this effort, and there are many, is the notion that bipartisan proposals should arise from shared objectives and values.

Here, the authors of the report identified five key themes: Work and savings should be rewarded, investments should be encouraged over consumption, public assistance should be better targeted to those most in need, the tax system should be more progressive, and finally, the nation should invest relatively more in the young and spend relatively less on the elderly. In my view, in my view, deciding on these shared values represents most of the hard work for bipartisan compromise. Once we can agree on objectives, once we can agree on objectives, the policy remedies more naturally follow. For example, if we agree that work should be rewarded, a natural policy responses to expand the EITC.

If we agree to better support investment, a natural response is to allow businesses to deduct expenses in the year in which they're made. So, we've assembled a remarkable group across two panels to respond to the contents of the report. For the Economic Policy panel, moderated by Washington Post economics reporter Jeff Stein, we have Jared Bernstein, chair of the Council of Economic Advisers, who brings the administration's perspective.

We also have Isabel Sawhill, who you probably all know, but also a Senior Fellow Emeritus at Brookings and Co-chair of the Grand Bargain Committee that produced this report. We also have Michael Strain, Director of the Economic Policy Studies at AEI and fellow co-chair of the Grand Bargain Committee, along with Isabel. For the second panel on Health and education, we have Laura Meckler, National Education Writer from the Washington Post, who will moderate along with Gopi Goda, Director of Brookings Retirement Security Project and inaugural holder of the Alice Rivlin Chair in Economic Policy.

We also have Nat Malkus, Senior Fellow and Deputy Director of Education Policy studies at AEI, and Bill Hoagland, senior Vice president of the Bipartisan Policy Center. And lastly, Diane Schanzenbach, who, among many other distinguished appointments, is a Brookings Nonresident Senior Fellow affiliated with the Hamilton Project. So, before I begin, I just want to note that this conversation extends well beyond this room. We welcome viewers joining us online, and I urge everyone to participate in today's discussion by submitting questions through email via events@Brookings.Edu on Twitter using hashtag #GrandBargain. So let me now turn things over to our first panel on economic growth, mobility, budget and taxes. Thank you.

STEIN: Thank you so much for the introduction. Thanks for Brookings, at Brookings for having us and hosting this. I am grateful to be a policy reporter first and foremost. Politics comes and goes, but the point of politics, the reason it exists, is to shape the outcomes that affect the nation, that affect the country and affect people's lives. And Brookings and many people here are devoted to that workday in and day out. So grateful for the chance to discuss it at length today. So, each panelist is going to introduce themselves briefly here, and then we're going to get into some of that policy discussion.

SAWHILL: Thank you, Jeff and everybody here. Okay. Back in the back there. Okay, good. So, I had the pleasure of co-directing this effort with Mike Strain, but Mike was just entering a critically important part of this, as was AEI. So, we're very grateful that we're doing this with them today. About a year and a half ago, Mike and I were approached by a group, a small nonprofit in New York City called the Center for Collaborative Democracy.

And they asked us if we could convene a group of experts to work on these six issues. And we were fortunate to gain the involvement and the expertise of the list of coauthors that I think are on the screen or I hope will be on the screen. And they were a terrific group. And I hope you will take a look at our report. It's linked and the event announcement for today and also in the QR code. So of course, there were strong disagreements because we did come from very different perspectives and not every author supported every recommendation. But I think what we all found, and I can't emphasize this enough and I think Mike would say the same thing, the process was terrific. The process of sitting down in person over many months and having debates and discussions about these issues. But I do want to give a shout out to the Center for Collaborative Democracy, since it was, they who initiated this whole process and had this idea and are now following up on it.

They are engaged in actually trying to find a grand bargain with grassroots groups and other stakeholder groups that can be involved in working on these issues together and then bring their ideas collectively to elected officials in Washington or wherever. They tell me they're making great progress on that front and are talking to everybody from people like the Rotary Clubs to Braver Angels. So, we encourage you to, as I say, read the report. But let's start this panel by focusing on budget growth and the budget, economic growth and taxes. And I'll just start by kicking us off with saying a few words about the budget, actually. Maya MacGuineas, one of our coauthors, was the lead on our work in this area. And if you know Maya, you know how engaged and informed she is. So, I'm an imperfect substitute, but I'll kick it off anyway. So, the problem, we have annual deficits of almost $2 trillion now. Those deficits are adding to the debt, which is now about 36 trillion and headed ever higher. And that debt in turn, is growing faster than GDP or the economy.

And so, this is causing an unscalable, unstable fiscal future. Interest costs alone are now larger than all spending on defense, larger than all spending on Medicare. Our interest payments take about $0.40 out of every dollar of income tax that people pay. So that's kind of shocking. And that money, of course, pays for nothing other than the continued privilege, if we can keep that privilege of borrowing some more and discussing this challenge, we talked about a lot of goals, but the one that we came to finally was the idea of simply stabilizing the ratio of debt to GDP.

And that's a relatively modest goal, but it would still require an extra $6 trillion in spending cuts or tax increases over the next ten years. And that assumes that all of the expiring provisions and the Tax Cut and Jobs Act of 2017 are going to expire, that none of them are extended. And it certainly doesn't include the costs of some of the things that our president-elect talked about on the campaign trail, such as not taxing tips or Social Security benefits or overtime pay. So, what do we achieve or why do we propose to achieve this goal? We call for both less spending and more revenues.

We get our spending restraint from slowing the growth of our so-called entitlement programs, meaning Social Security and health care before Social Security and Medicare are run out of money. And the early night in the early 2030s. Since it would be unfair to cut benefits for, for example, Social Security recipients when people are very close to retirement, we figure it would require more in spending, excuse me, more in revenue increases and less in spending cuts in the near term. But the reverse and the longer term.

So, we're talking about a roughly equal division between spending cuts and tax increases, but more tax increases in the near term, more spending cuts in the longer term. Our tax proposals, which I won't have time to get into, but I will. And Mike may want to say more. Because he did a lot of work in that area. But they're radical rather than incremental. They're designed not only to raise revenue, but to do so in a much simpler, more efficient and much fairer way to encourage investment and to treat corporate and non-corporate business the same. On spending, I want to emphasize one statistic that you should take away if you don't take away anything else. All of the spending, almost all of the spending growth over the next ten years, 87%, to be specific, is due to just the health care programs, Social Security and interest on the debt.

There isn't much else that's going on. So, although I wish Elon Musk and Ramaswamy luck in finding more efficiencies in the federal government, that's not likely to save a lot of money unless the president-elect gives up on his pledge not to cut Social Security or Medicare. And if he adds another 8 trillion or so to the debt based on what he's promised on the campaign trail, we're an even deeper trouble. You know, the tragic thing here is maybe it’s not so tragic are true.

Maybe I'll be surprised, is that as a lame duck president who now has what he calls a mandate and has a completely loyal Republican dominated Congress, he could take the opportunity to strengthen America by putting our finances on a more solid foundation. Unfortunately, he doesn't have a mandate to do most of those of the things that would seriously address the problem, because very little of this was talked about during the campaign. So, I'll stop there and turn this over to my favorite colleague who I sometimes disagree with. All right.

STRAIN: Thank you. Well, thank you all for coming. Just to echo what Bell said, it was a real pleasure working on this project with Bell and learning from Bell and working with and learning from all the other distinguished scholars who were on this committee. I'll point to one feature of the report that that hasn't come up yet, which is its merciful brevity. It's about 20 pages. We kept ourselves to I think, is it 20? Is that right? 20 or 30. We kept to ourselves to a, you know, 20, 30 page maximum as a disciplining device. And it actually had the effect of what Ben mentioned in his excellent introduction of really forcing us to think about big picture goals. You know, it's quite common in these sorts of exercises to immediately start fighting about policy details. But having to having only so many pages to spend, you know, we had to clearly articulate goals.

And that actually made it easier to talk about specific policies. It made it easier to engage in in trade-offs and in compromises. And, of course, it will also make it easier for all of you to read it because it's about 10% as long as most as most Brookings reports. So, Bell wanted me to talk about growth and mobility. And I'm, of course, happy to do that. You know, why are why are these why are these policies important? Growth is obviously important because that's where longer-term increases in living standards come from. I think it's also important for political and social stability, which is something we talk about less often. You know, politics is on everybody's minds. If you if you ask me, where do I think the current populism that we've been living through comes from?

I would say it's the period of very, very sluggish wage growth and slow economic growth in the years following the 2008 financial crisis. And I don't think it's much of a surprise that those years. Are the years where we saw politics radicalize. We saw Occupy Wall Street on the left, and we saw the rise of the Tea Party on the right.

We saw the rise of President Trump and the Republican Party and the rise of Senator Sanders in the Democratic Party. That that period of economic stagnation, I think really explains a lot of the world we've been we've been living in for, you know, 15 years now at this point. So, growth, growth is not numbers on a spreadsheet. It's not something abstract when the economy is not growing. For me to do better, you have to do worse when the economy is growing. I can do better without you doing worse. And that kind of fundamental dynamic, taking a society and moving it from zero sum to a plus has very important non-economic consequences as well.

And of course, economic mobility is important because economic mobility is central to the promise of democratic capitalism and is important for many reasons, one of which is that that without a support for free markets is much is much weaker among the citizens of the nation. So, we identified five strategies for growth and mobility. The first is increasing the rate of innovation. The second is encouraging business investment. The third is reducing the national debt. The fourth is encouraging participation in economic life. And the fifth is building work, workforce skills, building, building up the nation's stock of human capital. And we have some specific policy recommendations for those.

I'll keep this pretty brief, so we have more time for discussion. For innovation, we advocate increased federal support for basic research. We distinguish this from industrial policy, from policies like the Inflation Reduction Act or the Chips Act. Instead, what we advocate is more taxpayer dollars to be given to scientists to engage in basic research that will somewhere downstream generate commercial applications. We call for a big expansion of employment based green cards, doubling the number of employment based green cards in order to bring more highly skilled immigrants into the United States. Highly skilled immigrants are more likely than native born Americans to start businesses. They're more likely to be innovators. We also call for awarding green cards to foreign born graduates of American universities in technical fields, again with the goal of advancing the rate of innovation in the economy for business investment incentives.

As has been mentioned, we call for the full expensing of business investment. This would allow businesses to fully deduct the cost of investment in the year that the investment is made rather than according to a depreciation schedule over time.

This is a live policy issue with Congress and the new administration set to engage in some major changes to federal tax law next year. And my top priority for that would be to make immediate expensing a permanent part of the tax code. It was it was enacted in the 2017 reform phase down gradually and fully expires in, I believe, 2026. We also call for a slowing in the growth of regulation or deregulation. That's hard to do. Very complicated. But we identified that as a goal. On the budget, our third strategy for growth and mobility, I want everything to work through a bill said, you know, the basic idea is to is to stabilize the debt to GDP ratio and then then to get that debt ratio pointing, pointing down rather than rather than pointing up.

Our fourth strategy is to encourage participation in economic life and to highlight one policy we call for expanding the earned income tax credit, that it's an earnings subsidy. It's a taxpayer subsidy that goes to low income or moderate-income households who work economics one on one. If you tax something, you get less of it if you sub. It is something you get more of it. This is a subsidy for earning money in the labor market. And research has shown that that leads to more people participating in the workforce, increases the rate of employment.

And, you know, we hope puts people on a path to self-sufficiency. And then finally, our fifth strategy is to build up workforce skills. And we have a whole chapter on K-through-12 education, which is which is extremely important. The Growth and Mobility chapter focuses on what can be done for adults, what can be done for people after they've graduated high school. And here we call for, you know, kind of a mini grand bargain within a grand bargain, increased federal aid to community colleges provided that those community colleges are held to standards for performance, which you can read more about in the report. We call for an expansion of work-based learning programs as well like apprenticeships or employment-based programs. And the chapter goes into a little more detail on that. So, I'll stop there with the with the hope of having more time for discussion.

BERNSTEIN: Thank you. Thanks so much for inviting me. It's a pleasure to be here on this panel. I've learned a lot from everybody on this, including Jeff, and it's a great honor to join you. Congrats on a thoughtful, bipartisan piece of work with strong ideas that people on both sides of the aisle should agree on. I'm here to discuss praise and critique the report in about seven-ish minutes.

I'm going to discuss three things. I'm going to focus mostly on the policy recommendations. I think the diagnoses are straightforward and generally correct. I'm going to focus on that through three lenses. One through the recommendations, through three lenses. One is the political context, which, as has been said, wasn't really a big consideration in the report, which I'm somewhat sympathetic to, but I think is still germane. Where I agree with the recommendations and where I disagree or agree less in terms of context. You've released a highly rational report in a moment that is perhaps a little less rational. It's a little like you're standing up. It's a little like you're standing up on a table in a lawless old wild West saloon filled to the brim with gamblers, outlaws and others of ill repute.

And you're suggesting a smart and tough list of civic reforms. That's not a bad idea. And in fact, there are two things, at least two things you learn in this town if you hang around long enough. One is that you just never know what can happen with legislative opportunities. They can jump out of nowhere. I think we've all seen that. And B, economists aren't generally good at politics. I have learned this firsthand, and we should leave that to others. But it would be reasonable to say to those others, some of whom are at Brookings and in this room, once you've done the political work to get us to a place where fact based, necessary policy solutions are welcomed.

Have we got the 30-page report for you? Okay. Now, things we agree on the targeting of government assistance, especially in periods of a tough fiscal outlook, just makes a lot of sense. Of course, we have to think about which part of the target we're trying to hit. I'm bonding here a little bit with Ben. We were both chief economist to Vice President Biden when he was the president, when he was vice president and then worked for the administration. When you're thinking about which part of the target you're trying to hit, I would say in the Clinton administration, it was targeting kind of more the poor. For Biden, it's the middle class as well as the poor. So just saying you're for more targeting doesn't get you out of the situation as to where you're drawing that line.

And there's a tension between targeting and politics. I suspect you might have been thinking when you wrote this part about the checks, the economic impact payments from the AARP, which weren't quite universal, but didn't phase out into 150,000 for married couples filing jointly.

And I think the authors of the report, Michael, would have thought, you know, that's an example of a bad targeting. There's a case to be made that those checks helped win two Georgia Senate races, which, among other things, improve the personnel on the Supreme Court. So, there are targeting considerations that bleed into politics as well. But you've largely chosen to ignore political constraints in that in this document, which is both its strength. It's not our department and weakness, which is who will listen to us.

So, I suspect you know that. But I wanted to make it explicit. I very much agree with the tax system. Critiques spot on. I like some of the I think you surface some interesting ideas. The employee sponsored insurance. Changing that from an exclusion to a tax credit is something an idea that's come up for 20 years at least, maybe more than that. And making that more progressive is worth thinking about. I think there's a question is do we need to then worry about move from worrying about the overconsumption of health care to worrying about the consumption of health care. So, there's wrinkles to think about. But I thought that was a provocative and an idea that's come up many times and deserves more exploration. There's something you I think you left out. You'll correct me if I'm wrong, which is funding the IRS.

I mean, I think for any bipartisan commission that's thinking about raising more revenue in this case by closing a tax gap, funding the IRS is an absolute should be an absolute required part of any grand bargain. We're talking about a tax gap. It's hundreds of billions of dollars a year. And it's my view and I'd be interested if anybody here disagrees, that underfunding the IRS is really just a shadow tax cut for wealthy tax evaders. And we should none of us sign up for that. You know, Michael talked a little about the importance of growth in innovation.

These are a bit like apple pie and puppies. You know, nobody's against them. But while the report is probably thinking of those variables, growth, innovation, productivity in absolute terms, in relative terms, if you went to the European Union, I just came back from no OECD meeting in France of all places. If you went to the EU right now and complained about U.S. growth, innovation, investment or productivity, you'd hear a lot of incredulity that we think these are problems. And this is especially true post the report.

Very, very, I thought, insightful report written by Mario Draghi that essentially says if we want to achieve here in Europe better scores on innovation and productivity, we need to think about emulating some of the things that we're doing over here on fiscal. You know, no question that Bell is as happy as she has been for decades. Spot on about the need for sustainability here. Again, Europe very much envies us from the perspective of our, versus that is the interest rate you pay on the debt versus your growth rate. If G is greater than R, your outlook is a lot better than the other way around, and our G looks better relative to our than theirs does by again by a long shot.

So, I do think that while I, you know, share of course, concerns about sustainability, I want to acknowledge some progress we've made, at least in terms of the growth and innovation and productivity side of the equation, certainly not in terms of budget sustainability. Look, perhaps it made sense and Bell touched on this, to assume the exploration of at least part of the TCJA when you were writing this. That's clearly not realistic. I have two points on current events here. A bad one and a good one. And Jeff, you should write about these. In my humble opinion, one is a bad one. So, the bad current event in this space of TCJA and budget sustainability is the idea that you can get away with using a current policy baseline and say we're not raising taxes, we're just keeping policy the same and call yourself budget neutral. That is, you know, a trick that both sides have used to be fair but should be accepted by no one.

And then the potentially good opportunity here, which I'm happy to say more about during discussion of folks. One is I can see a debt ceiling deal in our future for if the stars were to align a certain way, I can see a deal that might suspend the debt ceiling for a long time or get rid of it in ways that I think would be, you know, healthy for our fiscal discourse. Because I think that the weaponizing of the debt ceiling has been used in really destructive ways. The minute you hear somebody talk about the U.S. defaulting on its debt, they're just walking on landmines with both feet, in my opinion. Okay. Less agreement. More investment. So, it is very conventional. And the report does is to say what we want is more investment, less consumption, less consumer spending. So, this is the macro space that I, you know, tend to try to live in. And, you know, I think the reason why that kind of caught me a little bit, it's something that everyone has said for a long time.

I have, especially having been a very close observer and participant in the last four years of the economic cycle, believe in consumer spending. Strong consumer spending should not be discounted at all. It has really powerful cyclical effects. It keeps an economy going in a big way. It holds us at full employment in ways that have great payback. And if you're thinking about a tradeoff between consumer spending and investment, the relevant variable is not domestic savings, it's global savings. And it's not obvious to me that the price of capital has been a constraint even in periods of strong consumption. In fact, we should all go back to old accelerator models and recognize that.
And this is in the data. We've run these models ourselves that strong investment is a function of strong consumer spending.

So, while I get that we want to think about investment consumption, spending tradeoffs, I would think harder about that. Probably where we have, you know, the most disagreement is on industrial policy and its role in climate. Of course, as the report leans into a carbon tax is optimal policy. Okay? That's not under any contention, but we are far down from the list of first best. And all of us had were, you know, many of us in this room and on this panel have worked in politics and in administrations. And you know that that leads us to our industrial policy, where I think the report is too critical. We're not really so first, all regarding, you know, not picking winners and losers, the first critique on industrial policy is you're picking winners and losers.

The train's left the station on that. Given the extent of money in politics and the depth of lobbying, the federal government will not stop picking winners and losers. Just look at the tax code. And in fact, in your own report, you suggest picking some winners in the tax code, and I happen to agree with them. So instead of trying to take that sort of high road, we should get better at this tradeoff, by which I mean we should be guarded by us should be guided by market failures and national security. So, during the conversation, I can say more what I mean by being good at that, what that looks like in the context of our conversation. But let's say for now it means that TSMC building fabrication plants here is a better bet than taking down cryptocurrency guardrails. Just to pull an example out of the ear, the words market failure. Again, sticking with advocating for our industrial policy, the words market failure do not appear in the report.

I think it's a shortcoming where at least I didn't find them with a control left. But we're motivated. We're motivated by an inadequate investment in key areas. Of course, climate mitigation as well as underinvestment in clean energy and some vital industrial areas like chip production for our security. Now, who gets to say what is and isn't a market failure is a big question. On climate, it's pretty widely, I think, accepted that that is a classic market failure. But on security with chip production, I think that's more accepted these days rather than dismissing industrial policy. I would like big brands like Michael and Bells. Rather than dismissing it, you should help us think through how do we legitimately identify market failures and what's a real security risk versus someone using that to get their favored policy? I have more to say, but I'm running out of time.

I think. Let me just go to a couple of things that just a couple of quick notes of areas where, you know, I would say our administration sees some things a little differently. For what it's worth, we're more likely to view legal immigration of all kinds, not solely high skilled. It's important to keep a growing economy. There's crucial areas we need to bring prices down, such as housing and groceries, and more Workers in those fields through legal immigration is undeniably a good thing for the country. I know health care is the next panel. I would just want to say that while the authors recommend useful strategies to prevent illness, public education advocacy efforts, anti-obesity and sort of diet kind of approaches, there's a question whether these strategies do much without making sure people have the adequate resources to live on and access to affordable health care, something Bell has devoted a career to trying to ensure for lower income people.

So, I suspect where we're setting up at least partially on that, look, we consider in our administration one of our greatest policy achievements is the historic low in the uninsured rate, the historic low in the percent of Americans who are uninsured. The report is a bit dismissive about efforts to further expand this, but there's ten states that have still not expanded Medicaid, and I don't think we should take recent insurance gains for granted with the potential expiration of the expanded premium tax credits. Remember, we were doing great on our uninsurance rate. The Trump ease came in in 2016, and that trend completely flattened out that the and the uninsured rates started to climb again. We came back in, and we got back down. So that is a very elastic variable to policy.

Last point is, is there something on housing? And here I have come to believe that the inadequate supply of both housing and childcare are the two biggest pieces of unfinished business of our administration. I probably think more about housing because it's just such an acute shortfall. But, you know, so it's childcare. So, I'm not going to favor one over the other. But the, this report, any grand bargain needs to think about a strategy, a strategy to address, you know, both of those market failures as we go forward. I'll stop there.

HARRIS: Thank you. Okay. So, in the interest of time, I want to send myself a lightning round seven. Really quick observations, both directly relate this report and directly related to the broader effort of a grand bargain. To start, I think the tone of this report is spot on. It's collaborative, it's bipartisan, acknowledges tradeoffs. Look, I worry a lot about a world in which bipartisanship is dead. What that world looks like is that we have complete policy stasis until some party has this trifecta between the House, the Senate and the White House, and then it goes ahead and puts in fairly.

Potentially radical policies that are just unwound the next time the different party comes in and has the trifecta. And then we just go back to states this and all the other time. So, worry a lot about a world in which bipartisanship is dead. It is not dead. The Biden administration was able to pass a bipartisan infrastructure law, the Chips Act. But this is to say, I do worry about a world in which we don't have reports and conversations that are written in this tone. The report does a lot of other things right. It takes a decidedly pro-business stance, which I, I like.

It acknowledges the importance of business investment. It acknowledges the link between education and training and economic prosperity, which I worry is deteriorating. The best way to become rich and prosperous is to have adequate training and education. And if we lose that link, we lose our national prosperity. It addresses what I think of as the slow death of the public good by calling for a doubling of funding for research. The budget has many problems, but one of them is that it just does not invest enough in what are classified are public goods. That's point one. Point two, it's important. Now, this is where these early critiques are just observations. It's important to favor feasibility.

So, in a textbook of that, which the report mentions is that with a rebate is the obvious answer. But that's particularly in a country like the United States, which has dozens of different state retail sales taxes and many more local sales taxes is very complex to practically administer. So, feasibility should be critical when you're thinking through these types of reforms. Point three it is critical for these efforts to have plans in place. I'm asked all the time when will fiscal responsibility become something that policymakers have to deal with? And the answer I give is when bond markets decide it's time. And that could happen really quickly. That could happen over the course of a few weeks, over a few months.

You see Treasury rates spike by 100, 200 basis points. Why? I don't know. It's the bond market, but it's important to have plans in place if and I think when that happens. Okay. Point four, agreeing strongly with Jared here. Tax administration has got to be on the table. The tax gap is approaching $1 trillion. We don't really know what it is. It could be, you know, much larger than estimates show. I am completely baffled by why funding the IRS has become a polarized issue. Where is the voice from honest taxpayers who are just angry and pissed off that they're paying their taxes and other people are not? Where's the voice from the from the dry cleaner who pays their taxes and the drycleaner next door doesn't. And they're trying to compete with that.

This isn't just about revenues, even though it's a central part because the tax gap is so huge. It's also about competition. It's also about fairness. Okay, point five Countercyclical reforms are really important. The budget can and should address downturns, economic downturns. And I've got to do this calculation. But I think if you go back 40, 50 years and look about when we accrue debt, my guess is that most of it happened in economic downturns. And part of that was by design. I mean, the Obama administration three times tried to modernize UI, and you should care about this countercyclical reforms not just because you want well-functioning reforms, but because you don't want to take on so much debt in a downturn because you have to you because are poorly designed.

So, if you care about debt, you should also care about UI modernization. You should care about putting in place effective, targeted countercyclical measures so we don't have to take on so much extra debt if and when we have recessions. Okay, point six when it comes to economic mobility.

Jared mentioned industrial policy. I think we've got to decide from a policy standpoint whether or not geographic relocation is going to be part of the deal. So, President Obama had this basic bargain which I loved, which is to say, and others have replicated this, which is say if you go ahead and you make all the right decisions, if you're a productive member of society, if you're working, then you deserve a decent middle-class life.

But I think we've got to decide from a policy standpoint whether or not relocation is part of this deal. And I'm not saying it should or shouldn't be, but I'm saying as someone who helps design policy, it would really help to know whether or not relocation is part of the deal. The unemployment rate in South Dakota is 1.9%. The unemployment rate in Nevada is 5.7%. We have some occupations where we have such strong demand, we can begin to fill it, and other occupations are saturated. Is part of the deal moving to Phenix to become a truck driver making over $100,000 a year?

Is that what we mean when we're talking about economic prosperity and opportunity? I don't know. We've got to decide. And we have big projects like this. And lastly, I've got to end on retirement, which is near and dear to my heart. So, the report mentions raising the retirement age. That's an obvious thing to put on the table here. We can't talk about raising the retirement age until we've given retirees better avenues for turning wealth into income. So, to just raise the retirement age and say everyone should work a little bit longer is a reasonable thing, I guess, from a fiscal standpoint. But we don't have good ways for retirees to turn their housing equity into income for purchasing annuities at reasonable prices. So, there's a lot of work that needs to be done before we can go ahead and raise the retirement age before we can even begin thinking about it, so we don't do injustice to our nation's current retirees. So, with that, Jeff, I'll finally turn it back over to you.

STEIN: All right. Thank you, everybody. We have about 30s here for a full discussion. I know that everyone in this crowd, including myself, is desperate for an answer from Michael Strain about the question about investment and consumption. But before we go down that macroeconomic rabbit hole, I wanted to broaden the aperture a little bit and ask Jared sort of a fundamental question about this whole effort, your presence here, the nice things you have to say about this question.

And I think looking back at the last ten years or so, as you both know, as everyone here knows, under the Obama administration, there were serious efforts made by President Obama to reach something along the lines of this outcome. Right. We can debate whether housing belongs or not, but the broad characteristics of some of the ideas outlined here were a thing that were seriously entertained at the highest levels of the Obama administration.

And I think there was a consumption, and you can correct me if I'm wrong, but we've both been around progressive circles long enough. There was this idea that this kind of effort was sort of an attempt by business elites, by big donors, by sort of Washington think tanks with lots of money to come up with efforts that would effectively hurt working class people with cuts to Social Security and other programs and Democrats. Whether that analysis is right or wrong seemed to buy into that during the Biden administration much more. And as a result of that analysis, putting aside the merits of it. As a result of that analysis, there was, I think, no real effort.

And Jared, you can correct me, but my sense there was very little real effort. When you talk to centrist Democrats on the Hill who were frustrated by this in 2022 and 2023, when inflation was clearly a problem, to reach some sort of fiscal bargain that would have, you know, you know, dealt with these fiscal issues. And so, I guess my question to you, Jared, is, do you feel like that analysis was incorrect? Do you think the Biden administration follow that analysis or am I mischaracterizing the situation completely?

BERNSTEIN: I'm not 100% sure what you're asking when you say this and that. Could you just say a few more words about…

STEIN: That, that that this attempt at a grand bargain, that that.

BERNSTEIN: Yes. I see where you're coming.

STEIN: That that there was no real effort by the Biden administration to try to see if there were pathways for this. That's the impression you get from Hill centrists. Maybe they're wrong. But I'm curious.

BERNSTEIN: I mean, I think a lot of us have learned to hear Grand Bargain and kind of come to believe that there's not much there, not much politics there, not much good faith intentions in terms of helping people who need help there. So, I kind of agree with what Ben was saying. It's great to have a report that actually takes a thoughtful stab at what this would look like. And that's why I like the report, albeit some of my criticisms. Look, we have we have one party that refuses to raise taxes, won't raise revenues. You heard Bell say that there's no path forward. And Michael, without revenue increases and spending cuts. But you know, we continually put out budgets that have both more revenue increases and spending cuts, but they do have both.

And, you know, those budgets never get anywhere. You know, you cited the Obama administration, which I was a member of, and proudly so. I think a lot of what we've done in both Obama and Biden have been quite good on the macro economy. But when it comes to fiscal policy, you know, Obama, extended 80% of the Bush tax cuts. And by the way, he did the. The scoring trick that I mentioned, you know, which I, I think is, you know, be careful of ideas that look good at the time because later they might not look so good. So, I think that there has been a fairly persistent resistance to embrace fiscal sustainability throughout the period you're referencing. I agree with Ben. The only way that changes is with a forcing event and perhaps one of the few forces that could potentially discipline the Trump administration in this regard is the bond market.

STEIN: So let me just sort of take what you're saying, and I kind of echo it in my question about here, which is I like Michael Strain. I quote Michael Strain maybe more than I quote anyone else in The Washington Post. He's a thoughtful guy. Michael Strain does not represent the Trump administration. He doesn't represent the model Republican. This report touts itself as a bipartisan effort. I read through the names in the report. I don't see anyone in there who I could see being even potentially hired by the Trump administration.

I guess my question is, to what extent is this project based on the myth that. No fans like that. People like Michael Strain still speak for the Republican Party. I am left with the impression, knowing the authors of the report, that this is. An attempt that is that is assuming that the Republican Party is something that it's not. And did you make an effort to reach people who would credibly speak for the current Republican Party and the current Republican Congress rather than people who are frequently breaking from their key policy priorities and statements?

SAWHILL: Can I take a first crack at that?

STEIN: I was asking you now.

SAWHILL: Okay. Sorry. I mean, first of all, I'm no Bernie Sanders either. But, you know, this group was put together or to be somewhat left and somewhat right of center, we didn't get to the extreme. Secondly, we did this a year and a half ago. We had no idea who was going to be elected. But I get your point. And I think several people have made the point, why write a report like this when you know it's not politically feasible? I mean, I think that's the basic question you're asking and it's a perfectly legitimate question. You know, forget about whether it represents currently in office Republicans.

Is it with any administration, Republican or Democratic, are feasible politically? And I guess we'd have to say the answer right now is no. But the group that is we joined with informally in the beginning is trying to work on that at the sort of grassroots level. Now, will that work? Who knows? But no harm in trying. This is instead of depending on people in Washington to do what reasonable think people think should be done on all of these issues. It's going down to the grass roots and the grass tops level and talking to a much wider range of people.

They like to talk about the exhausted majority That I think is actually a real thing that I think there are a majority of Americans who don't like either the extreme right or the extreme left and are frustrated that there is no sort of reasonable path forward on the idea that plans need to be in place. And I think that's really important.

And in other words, the bond markets could go crazy at any time and will not be able to predict yet. And so, we need a plan for what are we going to do if that happens? I want to point out that there are so many organizations that have done such good work in this area. There was an effort by the Peterson Foundation or excuse me, the Peterson Institute, to put together the plans of, I think it was seven think tanks. There have been efforts by the Bipartisan Policy Center who I should have said earlier was nice enough to publish our report.

There have been there is a whole list of papers on the website of the Center for a Responsible Federal Budget just today on how to pay for the expert borrowing provisions and the 2017 tax law, if that's intended. And, you know, so I could go on and on that the plans are there. And to some extent, I think at this stage, we need to educate the public a little better. And one of the reasons I like the fact that our effort stayed at a very high level and simply articulated the kinds of principles that Dan mentioned at the beginning and others alluded to, is because if we could get more public understanding and public commitment around these goals, it would help. So that's all I can say about that. But politically, we're in a bad place.

STEIN: So, we did not get a Michael Strain's answer on investment in growth. But I think I'm being told its time for audience questions. Is that correct? Just one audience quick audience question. Can we have like too much question? Jared had been saying, if I don't want mischaracterized, but Jared had been saying that there is this false binary in the report between investment and is this basically about trade, investment and consumption? And your argument was that consumption actually is go as well as synergistic with investment, is that correct?

SAWHILL: And Jared wants to reverse Say's Law.

STRAIN: No, I well.

SAWHILL: I see my way of putting it.

STRAIN: You know, I think I think we want to have a strong economy and that means that we want strong consumer spending and strong investment. So, you know, the question is kind of at the margin, what do we want more or less of? Not whether, you know, we want a consumption poor economy or not. And, you know, I think I think that there is a sense in which in order to figure out that balance, you have to kind of decide, you know, how much do you care about the economic outcomes of people 20 years from now and 20 years after that and 20 years after that? You know, in investment in a sense is deferred consumption. But I think the evidence is quite clear that there's a strong link between the higher levels of business investment and more productive workers and higher wages and faster income growth. And I don't I don't think Jared would argue with that.

BERNSTEIN: I totally agree with that. I mean, I'm just saying that there's not much of a correlation between that and slower consumer spending, especially when you have global capital, you know, capital markets and global savings available to you.

STRAIN: Yeah. I mean, so where we might disagree is on the effect of U.S. deficits, on the borrowing costs facing U.S. businesses. Whether or not, you know, crowd out is a thing that actually happens. And it's the thing that we should worry about. Then Jared and I agree on everything.

STEIN: All right. Well, there you have it, folks. Okay. Well, I think that's in the panel. And I thank you guys for being here. And stick around.

MECKLER: All right, we're going to. We're going to get started and not cast aspersions, but, you know, perhaps the last panel did go slightly over their allotted time. So, we will keep our try to keep, you know, our, the intro introductory remarks as brief as possible. So, we have time for discussion. I'm Laura Meckler. I'm a national education writer at The Washington Post. But I'm very happy to be here, partly because one of my past lives I was a health policy reporter. So, this, this fits well in with my interests. Briefly, our panel today, we're going to start with Bill Hoagland, who's Senior Vice President at the Bipartisan Policy Center. He's going to be discussing the health recommendations.

Then we have to his left, Diane Schanzenbach, who is the Director of the Institute for Policy, did I, get the right policy research at Northwestern and also a Nonresident Senior Fellow here at the Hamilton Project. Then we will and she'll be discussing the education recommendations. Then we have Gopi Goda, who is Director of the Retirement Security Project here at Brookings, who will be giving a response to the health care recommendations. And finally, Nat Malkus, Deputy Director of Education Policy Studies at the American Enterprise Institute, who will be giving a response on education. So, let's dive right in. Bill, tell us what this report has to say about health care.

HOAGLAND: Well, thank you very much for inviting me. And before I get into the health section, I want to say been mentioned in the previous panel that bipartisanship is dead. Let me put a plug in for the Bipartisan Policy Center where I work, that we are trying to keep it alive and working. And one of the reasons for our participation in this and this report was the fact that we do think that the way to address the issues in the long term still remains in the bipartisan world. On the health care chapter, I should point out that Doug Holtz-Eakin was the chair of that particular panel, Bob Reischauer and Gerard Robinson at University of Virginia. And Bill and Michael were also members of this group. We began our discussion by sadly noting that the U.S. ranks 48th in the world in life expectancy and has a 4-to-5-year gap between itself and, well, similar wealthy and developed countries.

We also point out that which is not new, that the health care system is in need of in this country, has need of very fundamental reform. Our goal of our recommendations was to transform what we perceived to be a low value system of sick care to a high value system of wellness care. We concluded, however, that no single or right business model, staffing or therapy model could ever possibly address the heterogeneity in the about in this vast country and the number of providers of care, whether they be for profit or not, employer, federal, state, municipal, tribal veterans or military.

But we did conclude that the most powerful lever for change in this complex system laid with the federal payments system Medicare, Medicaid, the ACA subsidies, federal tax policy and the 16 federal nutrition programs. The changes we recommended focused on two objectives. The first was preventing illness and the second was controlling cost. And we had three major policy recommendations in the limited amount of time that we had and the pages available to us.

The first was improving public health. The second was rationalizing federal subsidies for health care. And the third was a fundamental reform to Medicare. On the first one, improving public health. And Gerard Robinson at University of Virginia, I give credit for a lot of these thoughts but was to focus on the what was mentioned. Gerard, I mentioned it in the previous panel was the focus on chronic health care conditions that report that are a result of poor diet.

We addressed this by ensuring that low-income children have access to nutritious foods by expanding the free meals in schools, essentially universal free lunch program. I should note that we didn't go so far as to say universal free lunch. I will put a plug in here. Also, that the Bipartisan Policy Center not too long ago, a couple of years ago with a panel, a task force led by Jose Andres and former secretaries of agriculture, both Republican and Democrat, did come out with a recommendation that we should have universal free school lunches at a cost, admittedly between 60 and $90 billion over a decade.

In the SNAP program there was a clear indication we had you have a greater focus on dietary quality versus caloric intake. And finally, the third area we focused on was the address, the gap in Medicare coverage for obesity evidence, evidence-based treatment, something that, of course, the Biden administration just last week or week before last, recently addressed by defining obesity as a disease and making coverage of the GI Bill of one type drugs available for Medicare. Those are proposed. We'll see how the next administration deals with those particular recommendations. Rationalizing the second area was rationalizing federal subsidies. And here I give Doug a lot of credit for his thinking in this area.

As you all know, the federal government meaning as taxpayers subsidize nearly every health insurance policy in the U.S., which we concluded has led to overconsumption of health care and has contributed to increased cost. However, if health care insurance is to be subsidized, which we see it happening, there's no way out of it. It should be at least reformed to deliver the same federal subsidy to a family of a specific size and income, regardless of the source of the insurance. Mention I get I guess Jarrett mentioned it. The employer sponsored insurance should could be changed from an exclusion to a credit.

Similarly, we argued that health insurance for those below 133% of poverty should be entirely subsidized, but that the subsidies up to nearly 400% of poverty now in the ACA would have to be standardized and scaled accordingly in the area of Medicare reform.

We finally, we agreed that there should be an overall budget constraint on Medicare. Consistent with what I just mentioned that was rationalizing these subsidies across the board. Controversial, I am sure, as our recommendation was, we would effectively collapse Medicare Part B, part C, Part D into one payment model with a fixed subsidy adjusted for health status, financial status and geographic location. And finally, Medicare Advantage was seen as a model to do this and move out of the traditional fee for service current system.

I want to close with a comment that came up earlier. But in the very first Grand Bargain Committee meeting, I walked into a little late. I pointedly asked, should we take political feasibility into consideration? And the answer was absolutely no. The concept being that the bargain would be looked at in total. All the things that we've talked about today and the previous panel in total but not looked at on an issue-by-issue basis. I'm going to leave it to you and the audience maybe to determine whether the health policy recommendations could stand on their own.

SCHANZENBACH: Fantastic. Thanks. So, I want to start on the education side with three areas of broad agreement. First and foremost, we really agree that education and human capital is the cornerstone to further economic future economic growth, to broad based economic growth. This is just a first order important topic that, of course, we needed to take on. We recognize that a very small amount of the funding for education comes from the federal government. It's mostly state and local, but nonetheless, because of this, the importance of this topic, we wanted to include it.

Second is that we agree that our education system, especially K-12, is underperforming overall. It's failing many and it's underperforming in many places. The third is that in the past when we've wanted to invest in improving education, we have done that by having more years in education, right? So, after World War Two, we saw the high school graduation go up. We saw, you know, in recent years, you know, something like 14 years of education becoming the norm.

We think that we've turned up the dial pretty much as far as we want to go in terms of quantity of education. And we really want to be is shifting that focus to the quality. Education. So, we spent a lot of time talking through issues in K-12. And the first point on the K-12 is that a decade or more of an academic research has really, I think, definitively shown that teachers are the most important part of what of someone's learning.

We know that teachers have long term impacts on their student’s real-life outcomes, whether that's whether they drop out of high school, whether they how much they earn later on, like the teacher is the key. On the other hand, we have not been able to translate that insight from the literature, from the research into straightforward policy prescriptions to improve teaching quality as experienced by students. The solutions here are going to have to involve a lot of trial and error. They're going to have to be local and yeah, trial and error, multifaceted, etc. But where we definitely agreed was that we're going to need more resources to improve the quality of teaching and that we don't think that it's appropriate given what we know about teacher variation for salaries to be lockstep. And so, in the spirit of a grand bargain, we wanted to trade off higher pay for all teachers with more variability in teacher pay.

Now, related to this, it's important to continue to hold schools accountable for outcomes. I can talk in great detail about a range of the details of these policies, but just the sort of high-level points as that many things can be well measured by standardized tests, they are improvements and standardized tests are correlated with things like later earnings, etc. But the metrics are far from perfect. So many things can be measured. They could we can also improve on that measurement. So, we need to continue to refine and broaden what we what we measure and hold people accountable for.
For example, Brooking’s work on chronic absenteeism over the last couple of years I think is really important here. The final sort of highlights that I'll raise is we're very interested in empowering parents through more choice. Let's reduce the cost of finding the right option for your kid. There's a lot of evidence that shows that not every student is going to thrive in the same environment. But of course, school choice is not a panacea either.

There's large, you know, areas of our nation that where school choice, you know, it's just too rural school choice won't work. So, we need sort of a multi-pronged approach. And then we also think it's important to innovate with computerized instruction. We're hoping that we're going to be able to bend the curve in some sort of sensible way. The computers have not yet shown their promise, but we I think we still need to work on it. I'll very briefly recognize in time; we also agree that we need to improve training and retraining.

Michael already mentioned work on community colleges, but that is just going to be first order as we continue to see change in the economy. And then finally, I wanted to highlight that research stimulates innovation and growth. We talked a fair amount about research in this report. We didn't talk about it a lot from the stage to that. And as a professor at Northwestern University, I can say everybody hates elite universities right now. And I get that. And we have we have earned that in many ways. But remember that basic research is a public good. And most of the money that goes to universities and most of the people are pushing out the frontiers in terms of better research. When I think about my colleagues at Northwestern, they're doing cutting edge work on improving water quality, quality advances in nanotechnology, etc. There's a lot of good, don't you know, don't throw us all out, I guess. Anyway, so to summarize, there's broad agreement that education is just a key to our shared prosperity. And we need to improve what we're doing.

GODA: All right. Thank you. I wanted to commend the authors with their report and putting together such a wide-ranging set of proposals that overall deal with several social and economic challenges. And I'm really privileged to be able to comment on some of those policy prescriptions. So, I want to come back to the goals that were laid out in terms of the health chapter where we want to transform the low value system of sick care into a high value system of wellness. And the three goals that were laid out were to prevent illness, rationalize existing subsidies for health care and control costs.
And I think from the first to I think most of us would agree that those are good goals. I think the controlling costs, of course, there's going to be some debate over what is the right level of costs, and

I'll come back to that. And if we think about those three goals in the lens of what are the levers we have to achieve those goals, the authors point out that it makes sense to start with the federal payment apparatus, given the huge role that the government does already pay in health care, especially through Medicare and Medicaid, but also through ACA subsidies and federal tax policy. And not only is that a lot of the health care delivery system, but it's also a way in which the federal standards sort of spill over into what happens in the private health care market. So, let's start with preventing illness.

If we think about the largest components of those levers as being Medicare and Medicaid, I think there's a challenge to begin with, which is how much prevention of illness happens by the time someone is already qualifying for Medicare and Medicaid, which of course serves the elderly and disabled populations who are already quite sick at that point. There's also an incentive issue, which is it's hard to expect or create conditions where employers will invest in prevention if the returns to that. Prevention is mostly borne by public payers sort of later down the road. But here the authors think of some creative levers, in addition to the ones that I already mentioned in the form of school lunches and food assistance through SNAP. And I want to point out one of the things I really liked about the recommendation of providing low-income schools with free meals versus providing low-income students with free meals.

This is a hugely important distinction that it may sound very similar, but allows federal funding to better be targeted among students who could use this funding because of the burdens that people often face in enrolling for these types of programs, which is sort of almost eliminated by offering schools the opportunity to kind of opt in or making it the default for these low-income schools that are designated as such. But broader prevention types of interventions besides nutrition may be somewhat difficult. And I think thinking about creative ways that ACA subsidies or federal tax policies could try to serve these goals would be really fruitful in terms of thinking about how some of these goals could actually be achieved. Let me turn to the second set of recommendations on rationalizing existing subsidies for health care. So now, again, if we're talking about rationalizing subsidies, there's going to be a lot of agreement that that is kind of a rational thing to do. And, you know, it's very sensible on a lot of fronts. And let's start with those under 65.

So, the authors recognize that subsidizing activities, you know, health care otherwise through tax deductions is just generally not good. Policy in health care, I think is no exception. The tax exclusion for employer provided health insurance costs a whopping $250 billion per year in foregone revenue by the federal government. There's another $50 billion in foregone revenue from other tax provisions for health care, including tax breaks for health savings accounts and itemized medical deductions. And so, when you add those up, $300 billion in total is not chump change. It's about a third of what the federal government spends on Medicare each year. And so, thinking about how those dollars can best be used to subsidize health insurance, I think is a really important component of the proposals.

And there's no reason to think that the implicit subsidies for employer sponsored health insurance should be increasing. And the income which they are under the current system. While explicit subsidies for health insurance through the exchanges and the ACA subsidies are decreasing in income, there's just no real economic argument that kind of unifies those two ideas. But one question I have for the authors is how do we think about the differences across age? And do you envision a sharp difference by age? So, a long time ago we decided that 65 was this magical age where there was a market failure that would prevent those older than this age to obtain health insurance in an affordable way.

And there was a role for the government to sort of step in. Medicare is structured very differently than insurance for those under 65, both the share of spending that people pay and just the way the incentives are set up. And now this doesn't mean that the government doesn't step in for the under 65 a population, as we've talked about. But Mike, my question is and what I'd love to hear more about, you know, this is part of the I guess, the merciful part of the brevity in the report is just how should subsidies change with age? And is there a fundamental or sharp difference between those younger and older than 65?

So in terms of controlling costs, the authors, I think, rightly point out that putting health care on a budget is the first step in kind of understanding how to control costs, because we can't really begin to have a discussion about what is the right share of spending that should go towards health care at a from at a government level without even having some way to hold that share fix once we decide what that should be. Now, of course, there's going to be a lot of differences in agreement of just how big that amount should be. And I think that one way to think about that could be to say what are basic health care services that we think of everyone having a right to and versus what are other types of health care needs that are things that people may disagree on but could have the opportunity to sort of add to that that set of basic health care services.

A big part of how the report talks about controlling costs is to improve incentives to control costs through the Medicare program. And the main vehicle here is through market competition via Medicare Advantage. Now, this is coupled with improved quality measurement of beneficiary outcomes, but that's a nut we haven't quite cracked yet. And so, I think there's a lot of uncertainty in just how well we could achieve those goals through that lever. There's a lot of evidence that when you pay for certain indicators or even pay for certain outcomes that doctors sort of teach to the test, and we see more of those kinds of activities and sometimes at the expense of other services that could improve health just as much or even more. So, I'm going to end with just one quick thought about something that I didn't see in the report, at least in my control of the report, and that's the issue of long-term care.

So, I would love to know how the authors think about dealing with the costs for long term care for the chronically ill. As the population ages, these costs pose a growing threat to state and federal budgets, as well as to family members who often bear the costs in the form of foregone wages and health costs of their own. And there's recent estimates that suggests that over half of people turning 65 will develop a disability requiring assistance with personal tasks, and 1 in 3 will require this assistance for two years or more. And this is true even among those reporting excellent health at age 65. So, it just kind of tells me that there's some limit to the ability of prevention and sort of keeping people protected against this risk. And it's something that needs to be dealt with separately.

MALKUS: In the interest of Laura getting into questions, I'm going to go extremely quickly. Nat Malkmus, education scholar at AEI. There's a number of things that I liked in the education section of the report, and I think it does move towards sort of the possibility of a grand bargain. The first is how it makes. Very clear where things are trending. Education test scores are trending down. Part of that's before the because of the pandemic. But they were trending down before the pandemic.

It's even worse than that. The bottom's falling. It's not that the dots falling. These are obvious economic problems, not just educational problems. Another important point made, frankly, in the report, I'm going to read it. The education system has moved away from a focus on overall academic achievement and labor market skills to a focus on equity issues. We must maintain a focus on both. First of all. That's a courageous thing.

And in any education area, those are fighting words in many education rooms. But I think it's true. I think it's something that we need. To deal with. I mean, you can see this in just big picture numbers since the pandemic. Test scores took a huge hit. Chronic absenteeism went through the roof. Graduation rates went up. We're not completely making sense in terms of our pursuit of academic achievement and labor market skills. The last thing I greatly appreciate is a clear expectation for families and family’s role in this education system. There's a handshake between schools and families, and we need both parts of that handshake to work on the Grand Bargains priorities. I mean, the primary priority is to improve the effectiveness of the teacher workforce. And I can get behind that. That's great. Everybody can get behind that.

What that actually means in agreement is pay for performance and you lose a bunch of folks very quickly when you make that that leap. And I also think that there's just another thing to concern ourselves with here, and that is, is it really the pay that improves the effectiveness of the teacher performance? It could be that, but it could also be the organizational set ups that we have in schools or the curriculum that we use. I mean, one of the most recent convincing stories at the state level is in Mississippi. And that was primarily a curricular change was a broad change, but it wasn't primarily driven by pay. And it makes me wonder if the report puts a little bit too much of its eggs in the pay basket.

The last thing I'll say very quickly is that I look forward to the next report, which is ten more steps towards a grand bargain because the grand bargain framing of the report was that we can do different things in different silos. And I'm interested in the pairing that we will use to get these education changes made or to get any broad education changes made.

One point about our education system, it’s kind of grand bargain proof. It is very federalist. $0.10 on the dollar comes from the federal government and there are a lot of vested interests. But it's the fracturing of our education system or our 50 states that have to play a role that makes a grand bargain very difficult. So, Laura, back to you.

MECKLER: Thank you. Thank you all very much for those really interesting thoughts. We'll start with health care. Bill, I think the what do we think of a grand bargain? People think, well, they're going to get something and they're going to give something and, you know, you're going to so maybe you're willing to sign on for that. But I can imagine a lot of Americans, if they absorb this and they heard what you were suggesting for health care, would feel more like they were mostly giving something. They'd be get less subsidies for their health insurance. Their employers wouldn't give them as generous a package. Medicare would be squeezing costs. They couldn't get their procedures approved. What exactly is in it for American health care consumers other than a theoretical federal budget in better shape that nobody else seems to really care about?

HOAGLAND: Given? Well, listen, hopefully they have better health.

MECKLER: But how are they getting better health? Because we're spending less money. Do those things go together, which.

HOAGLAND: We're focusing the prevention on, the wellness on the people, the younger people in terms of our prevention, what we talked about in terms of the school lunch in and improving our diets long term that I for those who are currently in retirement, yes, they're going to have to give up something there, no question about it.

MECKLER: I mean, it seems like a like a pretty weak tradeoff that says, okay, you're going to get less money spent on your health care. But the good news is your kids get free lunch at school. I mean, which, you know, maybe that's the bargain that that is that you think that's enough to win supporters.

HOAGLAND: I think grandparents like their child grandchildren.

MECKLER: Right. But those kids are getting I mean, the people who don't get free lunch today are people whose families can presumably afford to pay for their lunch.

HOAGLAND: Well, I don't know where we're going here.

MECKLER: Well, I'm trying to understand why it is that free lunch, which right now our system does subsidize free lunch for kids who are below a certain income level. And while it I mean, during the pandemic, my kids got free lunch at school and boy, was that convenient. But you know, when they don't get it, I can pay for it. So, I don't know that my kids are any more or less healthier either way.

HOAGLAND: Well, we're not just talking about providing a subsidy. We're also talking about changing the diets within those school lunch patterns and going forward. And so, I agree with you administratively. And I go back to the education side of it. It would be a lot more as simple for administrating a program, whether it's universal free, and we don't care about the income. I agree with you that that doesn't sound quite right. But at the same time, it is a simple simplification of the program to make it more administratively simple to avoid some of the issues associated with the fact that I could see that you're getting a free lunch and I'm not getting one. Those kinds of issues, I I'm not I'm not defending everything that's in this report, by the way. But that's that was part of our tradeoff here.

MECKLER: Okay. Gobi, what would you say on the health care side? What are. What in here is going to directly lead to a better health outcome for somebody, for a child or for an older person?

GODA: I think the way I would have answered maybe your first question is like that the health care is a reduction, and the grand bargain is in other parts of the report. You know, I mean, I think overall, if we're talking about taking $6 trillion away in some fashion, you know, there's not going to be, I think, a give and take in each area. So, I don't I don't know that the health care part is necessarily you're going to feel like you're getting some. Okay.

MECKLER: Well, maybe they'll feel like they're going to get something on the education part. So, let's well, we'll switch to that and try to leave time for at least one audience question. So, it seems like then that the assumption in this report is that the main problem with education is that the teachers aren't good enough. Essentially, they're not doing a good enough job. When do we need to do a better job to incentivize good people to go into the field, presumably as well as to reward those who do? Well, there's a whole school of thought that says that the issue really isn't about how good. Sure. Of course, there's always going to be variability in any profession. Some people are better at moderating panels; others are less good.

And same with teaching. But there are that. In fact, the real reason why test scores are so low is because of all of the issues that so many kids bring with them in the door, you know, showing up and they haven't maybe they haven't had something nutritious breakfast, maybe they didn't get to go there. Your mom was working the night before and they didn't. And she didn't make them make him do his homework, whatever. On and on and on. There are a million things that contribute to a kid's success, and this doesn't really get into to any of those things. So what's the what's the rationale for zooming in so tightly on this one thing?

SCHANZENBACH: Right. So, I don't think the takeaway should be that we don't think teachers are doing a good job. I think the takeaway is that we should be getting more out, we have the ability to well, we think we have the policy ability to improve quality of education. We know a lot more than we did ten, 15, 20 years ago about the levers for that. And, you know, I think there's variation among the group about how much will incentive pay really, you know, drive that forward. But I think there was great agreement in the idea that there's more teacher teaching variability than there should be. And there's huge returns to improving instructional quality and many levers that we could potentially pull. I think that any of those lovers is going to take more money. And so that's sort of where we fell into place, was how to spend the extra money. And that was really breaking the idea that everybody needs to be paid in lockstep but have some sort of return to what happens in the classroom.

MALKUS: If I could just add on, I mean, one of the ideas is, well, how do we put money into the system to make the system more productive, not just, well, it's more productive because now it has more money, but we added more money and got an additional productivity bump out of that. I think that the marginal benefits from investing in the teacher workforce does make sense. You can get a margin there that there are adjustments that we can make to a system that is kind of kludge together over a long period of time with little adjustment. So, I think there's a lot of sense there. And it is true that we tie some of these performance things to essentially test scores where I don't it's not something that's trumpeted in the report, but it underlies it. And I think that makes sense. I think that test scores, they are associated with long term outcomes. They're associated with whether you go to prison and whether you are overweight later in life. I mean, a lot of sort of associations with benefits. So, if teachers are the best marginal way to do that, then we can actually increase the efficiency of the system.

MECKLER: On a related point, I was talking to a big city teacher's union president the other day on the question, a related question, which was I was asking why whether she would support paying teachers more to go into high need schools, which is sort of a cousin, I think, of this idea. And why not? And what she said was that teachers don't want more money to go to the schools. They want to be in a school where they support it and where there's good leadership and where there's resources and where the kids get to go to the library and the building looks nice. And all of those things that tend to go with well-resourced higher income schools. So, you know, those things are so much harder to solve than just, you know, change the pay scale. So how important is all of that?

SCHANZENBACH: I don't think we have a good understanding of how important individual pay is versus these other amenities. I absolutely agree that both are important. They're both, you know, amenities of the job. But we can't I guess I assume that every teacher is an angel and wants to, you know, sort of do this, you know, social good without fair compensation.

MECKLER: Well, I mean, everybody wants fair compensation, right? Except for volunteer moderators. But yes. Well, we, unlike the other panel, do have time for a not that's competitive for audience question. Does somebody have something they'd like to ask the panel? And do. Please make it a question and not a speech.

AUDIENCE MEMBER: Sure. My name's Jeff. I'm sorry. Hi, I'm Jeff Hornstein. I run a policy shop in Philadelphia called the Economy League of Greater Philadelphia. And I came here hoping to hear something about inclusion, and that word does not appear in the report. Where I live inequity is the biggest problem right where I live. My neighborhood's doing well. But there are people a mile away whose life expectancy is 20 years younger than mine. So can you talk about the role of housing wealth embodied in housing, apprenticeship models, things that we actually know work, and how the federal government might be able to incent those on the local level, because that's where most things actually happen on the local level.

SCHANZENBACH: And I'll start and. So, there was a broad agreement that broad based economic growth is going to be key to sort of lifting all boats. And I think that's fundamentally what you're talking about. So, you know, what about people at the bottom? What about people in the middle who haven't seen a raise in a very long time? And we do think that we have that very squarely in our in our minds as we as we worked on this. So, growth will help with a lot of things. But then that's when we got into some of the weeds of, you know, some of the issues better education, you know, how will apprenticeships, you know, improve things? Well, it'll get people into better jobs that have different growth trajectories, etc. Without question, we think that, you know, that human capital is really core to our shared prosperity. Do you want to add to that?

HOAGLAND: The only thing I want to add is I think Ben mentioned in the last panel that housing was not discussed and it is an issue that you've raised, and I agree with you on that big picture. As was said, if we could control the federal budget in terms of its overall impact deficit impact going forward, we're going to have bigger problems for inclusion at the state and local level, if ever. And I'm I still believe deficits matter at the federal level. And I think that by addressing that in the grand bargain here, there will be reductions in some of the subsidies in the health care. There's no question, because that's the fastest growing and the most difficult area there will have to be. And I apologize. Adjustments in the Social Security not to take away benefits, but to slow the rate of growth in those benefits. The combination of all of that, hopefully to the point we're trying to make in a grand bargain, there should be a better economy that would provide for the inclusion you're talking about it needed at the local and state level.

STRAIN: I only pay taxes on 75% my income for Social Security.

HOAGLAND: Excuse me.

MECKLER: Why? He said why do I only pay taxes on 75% of my income for Social Security?

HOAGLAND: When you pay, you want to pay more? Okay. I'm. I'm all for you. Go ahead.

MALKUS: A brief. You mentioned apprenticeships. It's not in the education chapter, but since you. Invoked it, I'll just go to the training tax credits, which doesn't sound like anything that education oriented, but actually I think really make some changes in incentives that make a great deal of potential progress. As a policy idea, it's one of the most exciting ones that I saw.

MECKLER: All right. I think we're going to we're going to have to leave it there, unfortunately. Thank you very much, Paul, for organizing this. Brookings for having this very interesting conversation and all of you for coming.