

# Center for American Progress



## **SPECIAL PRESENTATION**

### **“GLOBALIZATION, GROWTH, AND SOCIAL EQUITY: AMERICAN AND EUROPEAN PERSPECTIVES”**

**MODERATED BY:  
JOHN PODESTA, PRESIDENT AND CEO,  
CENTER FOR AMERICAN PROGRESS**

**AMERICAN PARTICIPANTS:  
KAREN KORNBLUH, AUTHOR, "FAMILIES VALUED," IN  
*DEMOCRACY* AND SENATE POLICY DIRECTOR, SEN.  
BARACK OBAMA (D-IL)**

**ROBERT RUBIN, FORMER SECRETARY OF TREASURY, AND CURRENT  
CHAIRMAN OF THE EXECUTIVE COMMITTEE, CITIGROUP**

**GENE SPERLING, AUTHOR, "RISING TIDE ECONOMICS," IN *DEMOCRACY*  
AND CAP SENIOR FELLOW AND FORMER  
NATIONAL ECONOMIC ADVISOR**

**EUROPEAN PARTICIPANTS:  
JOHN HUTTON (UK), SECRETARY OF STATE FOR BUSINESS,  
ENTERPRISE, AND REGULATORY REFORM**

**LINDA LANZILLOTTA (ITALY), ITALIAN MINISTER OF  
REGIONAL AFFAIRS AND LOCAL AUTONOMY**

**JAMES PURNELL, (UK), SECRETARY OF STATE  
FOR MEDIA, CULTURE AND SPORT**

**9:00 AM – 10:45 AM  
TUESDAY, OCTOBER 2, 2007**

**TRANSCRIPT PROVIDED BY  
DC TRANSCRIPTION & MEDIA REPURPOSING**

MR. JOHN PODESTA: I'm John Podesta. I'm the president of the Center for American Progress. I want to thank you all for joining us this morning. The Center has just hosted a meeting with the Policy Network involving representatives from, I think, 10 countries, right, Gene, that through a day of meetings to discuss the problems of globalization, the economic effects, the effect on working people around the globe and how we're going to make globalization work in a just and equitable way.

And we had an excellent, I think, day of discussion and an evening of discussion, and so we're happy to have a public event this morning to discuss, "Globalization, Growth and Social Equity" from American and European perspectives. We are going to be joined by John Hutton, who has a meeting, I think, over at the White House this morning, and when we do so, we'll have three sitting cabinet members, three has-beens and one rising star, and you could try to figure out who's who in that crowd.

I can't actually think of an issue that is more urgent from a policy perspective and challenging from a political perspective than getting globalization right. We celebrate the fact that millions of people have been lifted out of poverty through the engines of economic growth. I think we're going to come pretty close to meeting the millennium development goals, poverty reduction goal, just what the number of people being taken out of poverty in China, in India, alone.

Whether that poverty reduction is being spread across the globe is a somewhat different matter, but with this growth arises many problems: straining urban infrastructure, the degradation of the environment, acceleration of global warming and a growing income inequality. The challenge against this backdrop of unfettered growth is ultimately building, I think, a vibrant middle class, and that was really what the discussions were about yesterday and securing sustainable long-term and fair economic growth.

As the world economy grows, so does anxiety about where the global economy is going. We're seeing a growing gap in – between rich and poor in many countries, including in the United States, and a growing gap between wealthy and poor countries. Can we pursue a path of more equitable growth and what interventions are necessary? That's really what this panel is going to discuss.

We begin, I think, from the premise that open markets offer a tremendous opportunity to grow economies, generate jobs and improve the quality of life of people around the world. As you know, the world economy has grown faster in the past five years than any point in the past three decades. In fact, it has grown faster than in any five-year-period in recorded history, I believe.

This growth has created a global marketplace that gives both corporations and individuals astonishing new ways to do business. Advances in technology allow us to

trade more goods and services than ever before, and as technology continues to improve, the notion of a tradable good continues to shift, but as the world economy grows, so does anxiety. We feel that here in the United States and I think our European colleagues feel it in their countries as well.

According to the ILO, in 2004, world output increased by nearly \$4 trillion, yet global employment grew by only 1.7 percent. The United States hasn't been immune to the downside of globalization. Over the past six years, the number of unemployed in this country has gone up by five million. One in five children in America lives in poverty. That's twice the OECD average. The phenomenon of offshoring has added to tremendous anxiety into our service sector, which had traditionally felt sheltered from competition abroad.

We had a presentation by Larry Katz yesterday that discussed the hollowing out, really, of the middle of workers in the economy. The picture in Europe raises, I think, some equal challenges, particularly with respect to unemployment. The European Union average unemployment rate was 6.9 percent. One in every six Europeans is living below national poverty thresholds; 10 percent of people are in households where nobody holds a job.

So globalization, with its benefits and challenges, is a reality. The question is, can we find ways to make it a positive force at home and around the globe? Today's panel will examine how countries, respective countries, are addressing these challenges and see if we can find some common ground. Let me just tell you a bit about our panelists as we get started.

Karen Kornbluh is the author of "Families Valued" published in *Democracy: A Journal of Ideas*. That article was dubbed by columnist David Brooks as one of the most notable magazine articles of 2006. Congratulations. She's also the Senate policy director for U.S. Senator Barack Obama. She's here on her own behalf, and not on behalf of Senator Obama this morning. Previously, she founded the New America Foundation's Work and Family Program, where she argued for a modernized social contract for the global economy in numerous publications.

Linda Lanzillotta is the Italian minister of regional affairs and local autonomy. In previous roles directing the Budget Commission, and as counsel member of the City of Rome, she implemented measures to contain legislative costs and increased transparency and accountability at both regional and national levels. In Italy, as in America, it's the progressive parties that seem to be on the side of fiscal discipline, I have to note. Before being appointed as minister for regional affairs and autonomous provinces, she spent five years as a professor of public management at the University of Rome.

Gene Sperling is well known to most of you. He is a senior fellow for economic policy at the Center for American Progress. Previously, Mr. Sperling served as the national economic advisor to President Clinton from 1997 to 2001, and the deputy national economic advisor from '93 to '97. His book, the *The Pro-Growth Progressive: An Economic Strategy for Shared Prosperity* continues to rank on the bestseller list, and

his recent article, "Rising Tide Economics" appears in the September issue of *Democracy: A Journal of Ideas*. I think Kenny Baer is here and we're definitely plugging the *Democracy Journal*, I think.

James Purnell is the Secretary of State for Culture, Media and Sport. Prior to serving in the position, he was minister for pensions. In that capacity, he advocated a bold domestic agenda, which I hope we get to, of increasing retirement savings through personal savings accounts, something that's quite controversial here. James has been a Labor member of Parliament from Stalybridge and Hyde since 2001.

And finally, Bob Rubin served as assistant to the president for economic policy, created and directed the new National Economic Council in 1993 and then was confirmed at the 70<sup>th</sup> secretary of the Treasury. Secretary Rubin is currently a director and chairman of the Executive Committee of City Corp, as well as the founder of the Hamilton Project.

I mentioned that we will be joined by John Hutton, who was appointed Secretary of State for the Department of Business Enterprise and Regulatory Reform in June of this year. He was previously Secretary of State for Work and Pensions. John entered the cabinet as chancellor of the Duchy of Lancaster in May 2005. He was previously minister of state with responsibility for social care at the Department of Health in 1999 and took over responsibility for health in June 2001.

So please, welcome all of our panelists. (Applause.)

Bob, I was going to start with John, but he's not here, so I think I'll start with you. You – (laughs) – you came to a CAP-sponsored event earlier this summer and you said something that caught my ear, which was that competitive economic conditions prevailing in the global economy, or perhaps, quote: "The greatest change in the global economy and global competitive conditions since the emergence of the United States over 100 years ago." You said, I would argue, perhaps, "even since the industrial revolution began." Could you elaborate a little bit to get us started on what you think those competitive forces are and whether America or Europe are better able today to meet those challenges of competition in the global economy?

MR. ROBERT RUBIN: It's an interesting question, John. I think if you take a look at technology, you take a look at global integration, although there's now the threat of a backlash against that, you take a look at the movement of market-based economics pretty much around the globe, effective productivity policies in China, India and a number of other emerging economies, put all together, John, you see China and India both emerging as these enormous economic forces, obviously, large markets potentially, but also, right, most immediately, competitive forces.

I saw a study recently that said on some reasonable base of projection, that both those countries, China and India, would be two of the top four economies in the world by 2050. That would have been unimaginable 50 years – put it all together, John, and then you also take the enormous wealth transfer to the oil producing countries and to the Asian countries with large surpluses, I think that you do have a transformation of a stark

importance going on the global economy. And I think it probably is – I said the greatest in the last – since the emerging of the United States, but I actually do think it's probably the greatest since the industrial revolution.

And everything I've said is well known to all of us, but I live in a world of business and I spend a reasonable amount of time with policy people. I think very, very, very few people have internalized just how significant that is. I think the realities of global economy are changing as we sit here, and I think, John, if you're going to make effective policy decisions or effective business or investment decisions, that has to very importantly shape what you do.

In terms of the U.S. and Europe, I think the U.S. is actually very well positioned in many ways. We're going to be a smaller part of the global economy, but I think we could have a robust economy. We have an historic embrace of change, we have a cultural willingness to take risk, we have flexible labor markets, we have enormous critical mass, so I think we're well positioned.

I think the problem, John, is that we also face an enormous number of challenges, and we were talking a little bit about that last night. We have fiscal issues, we have an education system that's far from what it needs to be, infrastructure, basic research, energy policy, healthcare, so much, and all these things are not only difficult substantively, they are very difficult politically. And I think that if we're going to realize the potential, I really do think we have – I think we've got to meet a lot – I think our political system has to function a heck of a lot better than it's functioning today, and if it doesn't, then I think we could have serious difficulty.

Europe, I don't quite know how to think about Europe. It doesn't seem to be as robust as maybe one could think it could be, so I don't know. I think there are two issues around Europe. One, U.S., with all of its problems, and the pluses and minuses that come from this, is really a very dynamic culture. I don't know whether Europe has that same kind of dynamism that you'd have to have if you're going to be successful in this new world.

And secondly, the U.S. is a continental country with its large population, critical mass and all the rest. I think there is a question about whether the politics of Europe are coming together, as had been envisioned over the last two decades, or whether that's kind of stalled. I think they're both quite relevant.

MR. PODESTA: Well, maybe I'll let James reply from a European perspective maybe to the latter question, which is from the vantage point – I won't ask you to speak for all of Europe, but maybe you might speak from the perspective of the United Kingdom. And if you have some reflections on the other European economies, what's your sense of how Europe is positioned vis-à-vis the United States to compete in a global economy?

MR. JAMES PURNELL: Well, I think it's a very interesting moment in European policy with Sarkozy, Merkel, Gordon Brown, all coming in relatively recently.

And certainly speaking from the United Kingdom's point of view, an approach of globalization, which is open and enthusiastic, the things that we've done – (unintelligible) – well out of it. And I think what we certainly feel in the United Kingdom is that the arguments that we've been making for our version of the European model, which is competitive, flexible markets, an open market economy, internationally combined with an effective welfare state, is actually a good way to face up to globalization because it gives people the courage and the optimism to believe that there are some things in it for some British workers, for European workers, but that there will also be an effective welfare state there to protect people from some of the volatility which comes from globalization.

And I would say that with – in some ways, if you look at what Europe has done over the last 20 years, the massive enlargement, the creation of the European single currency, the integration of Eastern and West Germany, the integration of Eastern European states into Europe, and arguably one of the most extraordinary democratic changes seen in a very, very quick period of time that any democratic block has ever, ever seen, I would actually say you can argue that there's a very significant amount on the positive side of the ledger, and that the arguments about the need to be open to globalization and the need for reform are now ones which you can see are more on the ascendant than they have been for a very long time within the European Union.

MR. PODESTA: Linda, let me turn to you. First, I would just notice an Italian-American. He said Brown, Sarkozy and Merkel. He didn't mention Prodi, so I'll be offended on your behalf. (Laughter.) Let me ask you to reflect from the Italian perspective, has globalization been good for the economy, has it been equitable in terms of its distribution across the Italian workforce? And maybe a little bit, how would you contrast the policies of the current government to the Berlusconi government with respect to globalization?

MS. LINDA LANZILLOTTA: But you know, in Europe, and especially in continental Europe and in Italy, growth is the priority. We have a very slow, very low rate of growth. So we need huge reforms of welfare system, market labor, welfare system, education, liberalization of market, which creates fierce and strong resistances, because in Europe, continental Europe, we have a very different situation from the Swedish. We listened yesterday, unions in Sweden are an innovation factor and in continental Europe, unions are a conservative factor. So a progressive government has to face deep changes to push growth.

But if you look at service, the globalization perception is generally negative by citizens. So we have to assure citizens and to convince that change is in favor of popular classes, of weakest, of poorer, and this is the point which has wakened, I see – I feel the progressive policies in Europe. Why conservative wings, I think, in France is the capacity to make not change. Progressive politics in Italy, progressive politics in some way in Germany, didn't show to be able to establish innovation. And the first task of leadership, of the progressive leadership, is to gain support to change, because if we don't make deep reforms of labor market and of the welfare system, we lose.

And let me say that from this point of view, it's happening in Italy, and generally, in many states of Europe, is most important role of local governments because local governments are going to create a new welfare model, closer to citizens, more able to give tailor-made answers to the risk of globalization, a new form of protection which balance the uncertainty of a flexible job, of low wages. And this makes a situation where governments, at regional and at local level, they become the point of reference of economic local systems, which are creating a balance to globalization and the perception of a higher capacity of institution to face globalization which, at national levels, seem to be impossible to manage.

And the other point which I would like to stress is the urgency to make multilateral institutions, super national institution, more efficiency, because the perception is that rate phenomenon of globalization are impossible to be managed both at the national and regional level, but that institutions are not able to face, look at financial instability, immigration. So we have to, I think, intervene at these two levels, international and local. This is the perception from our point of view.

MR. PODESTA: Let me just follow up for one second on the localism. In terms of growth patterns, are the regions in Italy growing at about the same rate or have they diverged?

MS. LANZILLOTTA: Yes, yes. There is a difference within North and South, but regional policies are able to make value from the specificity. Northern regions are a focus on Central Europe, but Southern regions can have a very high development toward Mediterranean, toward North Africa. So the regional policies, in terms of development, can become a key to make more value from the differences which, historically, have been a negative factor.

MR. PODESTA: Karen, let me get you into this. We blame a lot on globalization, and we celebrate globalization sometimes, but usually, we just blame a lot on it. You've written a lot about the changes in American families that they face in the current economy, and the pressures, financial pressures and social pressures on American families. In your mind, do they challenges, do they stem from, are they exacerbated by globalization, or are there other major currents in the culture and in the economy that are really putting pressure on U.S. families today?

MS. KAREN KORNBLUH: It's really an interesting question. I think one of the issues that came out of yesterday's discussion is this almost cognitive dissonance where in the U.S., the issue of the family is really on the sidelines, and we think of it as separate from globalization; whereas in Europe, it seems to be at the center of the discussion about how to remake the social contract, the welfare state and how to respond.

And it's a big mystery to me about why that is, and all I can think of is it's really because here, we think of it as a cultural issue. Either it's a legacy of the '60s and women wanting to have it all, and if they do, then it's their problem. Maybe there are some racial issues, as well, in the history of welfare in this country. And so we talk about a culture of poverty, but if you do start to look at it from an economic point of view,

which I think people are, and you see that the pressures on wages mean that women, in many cases, have had to go into the workplace, and have had to work more hours.

And, actually, Jared Bernstein, who works downstairs, did some work looking backwards and looking at two-couple families, so the best case scenario in terms of income for a family, and going backwards and saying, “What if the mother had not been working, what would the income had been like?” And if you look at the bottom quintile and the second quintile, the income would have fallen, and even in the middle, would have just had an increase of 5 percent over the last 20 years, which is a remarkable break from the previous, the post-war era, where the family worked 40 hours a week, the breadwinner is in the workplace, and just working that set number of hours, the family continues to do better and better. In this case, this economy had to keep throwing hours on the fire.

And so I think there’s the cause – I think globalization puts pressure on the family, I think we’re starting to see – (unintelligible) – but I think we’re starting to see economists, people who look at poverty, saying that focusing on the family is also a way of addressing some of the globalization issues, that if you’re interested in this gap, if you’re interested in growth, in human capital development to get growth, then you have to focus on the early years.

James Heckman has done all this fabulous work at the University of Chicago saying, “The best use of a policy dollar would be spent in the early years.” And if you start to look at some of the results of this Perry Preschool Project and others, you see that putting emphasis on helping kids in the early years helps them throughout the rest of their lives. You think of the early years and the pressure on a family, childcare can be as expensive as college. The families had no time to save, there’s no loans available. One-seventh of low income families that are eligible for childcare subsidies actually get them.

So it’s a really stressful time period and yet, the research is now showing it’s an incredibly important time to invest and I don’t want to go on forever, but the other issue, of course, is giving families time, so that it’s not just a question of sending them off to childcare. Every parent knows, and most people know intuitively, you need the parental time, and when parents are so stressed, when the economy is a 24/7 economy, it’s extremely difficult to get that time.

And so one of the things that the U.S., I think, can learn from Europe is how to modify work hours, give people maternity – paid maternity leave, flexibility and so on, which Europe is light years ahead of us on, so that parents can spend time with their own kids.

MR. PODESTA: We’re not doing to well here on modifying work time, but James wanted to jump in, and we’re joined by John Hutton, and please join us up here. And you wanted to jump in, and perhaps, I know you wanted to say something directly, but you might want to comment also on the Labor government’s challenge to try to cut the child poverty rate in half and eliminate it by 2020 in the context of Karen’s comments.

MR. PURNELL: Sure. In fact, John was the secretary of state for that, so he may want to just comment on that bit, but I'll give him two minutes just to collect his thoughts. I was very struck by what Karen was saying, and it was very reminiscent, I think, of where the politics of families and children were in 1997 in the UK, where we had a system of family support which was way behind anything which existed in the rest of Europe. And in fact, a lot of the developments which have happened since then can be traced to the progressive government's network and the work that's been done between the various parties in the rest of Europe in the UK and in the U.S.

And we started from a position where most of the debate was about single parents and the worthiness and support for single parents, and where historically, there had been a big gender gap in voting patterns between men and women in the UK. So I think it's true to say that if only men had voted post-1945, the Labor Party would have been in power pretty much the whole time, but women had voted disproportionately for the Conservative Party.

And between 1997 and 2005, there has been a massive transformation in the support for families, two things very much inspired by the Clinton administration: the introduction of the child tax credit based on the ITC and Sure Start, based on Head Start, and two things very much inspired from the rest of Europe: a big exception, maternity and paternity leave, introduction of paternity leave for the first time, and the right to request flexible working if you have children, and now, if you are caring for people other than children.

And the effect of all of that was that in 2005, the gender gap was reversed, so actually, two elections later, we had more women voting Labor than voting Conservative, and we only won in 2005 because of the votes of women. So the interesting thing is not – and the debate has now switched completely from one which was basically about stigmatizing single parents, to one where both parties are now fighting over this agenda as very much through the continued extension of these policies, the conservatives by trying to make it a debate about marriage, tax allowances, and I think that's actually – given the change in how much people value this, I think that's a debate we're fairly confident of taking on.

The interesting thing is – one final thing, people always said, "Look, in Sweden, in Scandinavia, we have introduced these family-support mechanisms, and it's now not just something about your social conscience. It's actually people value as part of their self-interest, that they value so much the family support that they have," that actually, that's a good reason for voting social democrat, and I would say that exactly what's happened in the UK, but in a period of just eight years.

MR. PODESTA: Gene, you may want to just kind of follow on that, but you've written a lot about reducing worker anxiety across the board from issues that we've just been talking about with respect to family policy, with respect to fair taxation, job retention, retirement savings, healthcare. You might be an advisor to some president

someday in the future. What tops the list? Do we need to do all this at once? Does it need to be sequenced? What's your highest priorities these days?

MR. GENE SPERLING: Well, that's always the toughest. One thing I would say is that I think when economists come in, they tend to talk about the changes in large sweeps, 30 years, and what's happened in the last 30 years. I think for us, for policy makers, it's very interesting – and I'll plug *Democracy Journal* again, too, because I talk about this in there – to look at the last decade because you really had something dramatic happen in the U.S. economy, which was productivity finally increased.

And you really had a decade, which was really *A Tale of Two Cities*. From about '95 to 2000, you had productivity go up around 13 percent, well over 2.5 percent a year, and the medium family wage went up about the same amount. Not only did it go up, but all five quintiles did. In that environment, John, I think that it was a lot easier for, I think, progressives who believe in globalization to simply think that you could kind of push forward with dynamism and try to do more to try to help people who are being dislocated, et cetera.

Now go to the second five years where the new productivity numbers increase. It goes up 16 percent and family income goes down 2 to 3 percent. It's just a dramatic difference, and I think you have seen a shift in the anxiety. People say there's always been that, but I think it's very different now. I grew up in Michigan. Yes, there's always been anxiety in the manufacturing parts of our economy. Now, you've got people across the service economy worried that they, or someone they know – 61 percent think they, or someone who's very close to them has a job at risk.

So I think you have a dramatic – I think you do have a dramatic change, and I do think it puts a great challenge on us because at the same time, you can't ignore these globalization trends, and as Bob says, if you're not embracing it, if you're not having the most efficient supply chain, you're not going to be competitive, you're not going to seize the opportunities to sell into China and India that will come eventually. On the other hand, you'll have no public support if you allow this type of pattern to happen.

So the reason why I try to focus on Kennedy's line about a rising tide lifting all boats, is I think people are more confident about the rising tide right now. I think where people are losing faith in the economy is whether it's going to lift all boats, and I think that is going to be the progressive challenge. So I would kind of a few things, which I'd say, one obviously big issue is trade, and I think there's been one side that said, let's just have a pause. I think we worry about the signal that that sends to the world about the U.S. commitment to multilateralism. The other is business as usual.

I think what you may be seeing progressives, or what I think I'd want to say to the next president is that I think you want more of a stage progress test. You don't want to say it's business as usual or all on hold. And I think what you saw in Panama and Peru was the progressives, when they saw there was enough progress in something like labor standards, they were willing to go forward. And I think that's what you're going to see is that kind of case-by-case stage progress test.

I think the second big challenge, John, is going to be that if we're really serious about anxiety, and this goes to what Mr. Clarke said in our panels yesterday, you have to have challenges that are appropriate. This notion of tweaking trade adjustment assistance, none of this is going to be very effective to the larger issues. So if you want to do something about larger anxiety, you've got to have pretty universal things like universal healthcare. I think you're going to have much more universal kind of adjustment assistance that is not contingent on how you lost your job.

I think the challenge for us, as progressives, is to have that kind of universality and be able to convince the American people that we are empowering them during that period. I like the way the Democratic candidates, all three of them, have tried to talk about healthcare more as empowering the individual, as opposed to more bureaucratic solutions. I think you're going to need to do those same things in adjustment assistance.

And I think then the third challenge for us is going to be not to simply – I think conservatives leave us a great opening right now because they're so stuck in the ideology of less government that they're almost incapable of responding to this anxiety. They have no solution, they have no alternative to universal healthcare, they have no universal adjustment plan. So they've left us the ability to seize the mantle of worrying about people's insecurity, but the challenge for us is to be both rising – both pro-growth and progressive, is to not, therefore, just be the party of – we don't want to be just the party or just the movement that's there for you when something bad happens to you in your life. I think we will lose people's sense of their upward aspirations.

So I think if you think of a rising tide compact, you want to not only have the universal healthcare. You want to have what I call universal 401k, something that's also telling people it's not just worker versus wealth. We want you to have a chance to share in assets growing, in capital, in having a nest egg, so that we're appealing to people's upward aspiration.

And I think higher education really hits both, because on one hand, Larry Katz always says, "One of the great anxieties people have of losing their jobs is not being able to help their kids get a higher education." Yet, that's good for them doing well in the global economy, and yet at the same time, it can relieve anxiety. So I think if you think about – I guess what I would say is you need a kind of a rising tide compact. You need to be able to say to people that, yes, we can't deal with all the dynamism, we have to embrace it.

But when it comes to savings, when it comes to sending your child to college, when it comes to healthcare, we're going to take a little bit of uncertainty off your life, a little bit of burden off the employers. And I think that is the type of message I think the next progressive can have better than the conservatives because we're not afraid to embrace government policy.

MR. PODESTA: Bob? Sure.

MR. RUBIN: I agree with everything Gene said with one caveat. I think you have two problems and you've gone to make – you've got to find policies that enable the economy to grow so there's the share, and then you got to find some way so that we had (unintelligible) in the last five years of the '90s. When you get to trade, there's this enormous focus on labor rights, and as you and I have discussed before, I said to you when we discussed it, I think labor rights are terrific. If you can get labor conditions, I think that's terrific, but then you can help promote broad distribution to the countries that you're entering agreements with.

But the reality is that if a country has a relatively small percentage – if the GP per capita is a really small percentage of ours, then you can have perfect labor agreements, and that wage environment is such that the best labor agreements in the world, and a perfect collective bargaining regime – and I'm a deep believer in the importance of collective bargaining – isn't going to have a material effect on wage pressures in this country.

And I think the negative energy is I think we focus so much on the labor conditions, we take our energy away from what really can make a difference, which is a powerful domestic agenda, precisely what's been lacking in the last six years. And so I think there's a negative in the focus on labor rights, labor conditions rather, but – (unintelligible) – I think some people use as subterfuge for not wanting to move ahead on trade. But secondly, the Senate takes our energy away from the domestic agenda. It takes it away from what we really need to do.

MR. PODESTA: Okay. Good. A conversation. I'm going to get John in – (inaudible) – Gene and Linda, why don't you go and comment?

MR. SPERLING: Bob and I don't disagree on a lot, so we should do it publicly when we can. (Laughter.) Two things. I agree with Bob that that should not be a distraction. In other words, not only the labor standards, but virtually, no specific trade agreement changes the fundamental challenge we face from India and China. And the worst thing any of us can do, whether you're for trade or against trade, is to suggest that if you had your way, that it would somehow change the basic anxiety.

These things we're talking about are going to exist, so I think it's responsible for people on either side to have the robust domestic agenda. The only thing I want to say in terms of the labor standards is, I do think one has to build an ethical case for how we engage in globalization. And I agree with you. It's not going to affect the wage standards as much, but I think you want to be able to say to people in a certain way, we can protect you from the fact that somebody in Africa is going to compete on lower wages. We're humanitarian people, we're progressive, we want the world to develop, and people who can do things much cheaper should be able to compete and we should be finding the higher value out of things to compete at.

But I also think it's very important to say to people that you're not going to (while?) that increment of price competition that comes from things Americans think are

abusive of human rights, such as abusive sweatshops, abusive child labor. So I do think these things can go hand in hand.

MR. RUBIN: Just so Gene doesn't – I don't disagree with that. Let me say I'm not in favor of abusive child labor. (Laughter.)

MR. PODESTA: Okay.

MR. RUBIN: Just to – I know how Gene sometimes functions.

MR. PODESTA: I was about to ask for a show of hands on whether people thought he was or wasn't.

MR. RUBIN: I don't want to be mischaracterized.

MR. PODESTA: Linda, you want to jump in?

MS. LANZILLOTTA: No. I was give a comment, because I agree on the point that conservatives are incapable to give answers, but if there are no answers, the answer should be protectionism and even (races?). But the other point is, if the task of progressives is a strong, powerful domestic agenda for competition, for competitive economy and for support and protection of citizens in globalization, so the key point I think, the one was pointed out by Laura Tyson, if I well remember and André Sapir, which is the discuss about the tax issue because fiscal policies, tax policies is one of the difference within progressives and conservatives.

So how to combine a strong agenda and a very low rate of possession? This is one of the problems we discuss in Europe and especially in Italy, because we have also to reduce debt. So we have a number of problems, but the key issue in Italy is taxation and how this – I'm interested to put this point in the discussion.

MR. PODESTA: Well, what John reacted at, you have to manage the trade portfolio in the UK. Is that easier to do as a result of particularly the stronger safety net that's been developed and the programs that we've had some discussion of as – with respect to providing the kind of supports and inputs that people have had on the labor policy side, or is the growing anxiety amongst the middle-class workers in UK parallel to what we see in the United States?

MR. JOHN HUTTON: It does parallel. No, it definitely does parallel those concerns as well. Look, in the UK we have, historically, a very strong foundation of universal entitlements, healthcare, education, welfare and so on. Will those on their own be enough to sweep away any wider concerns about what's happening around globalization, the shifting patterns of trade, that are affecting all of our nations? No. I think they're an essential precondition on which you can build, but in Europe, where we see a very similar sort of pattern of universal entitlements, there is substantial concerns about the direction of economic change and what it means for all of us.

My district in the House of Commons is a shipbuilding town, and when I talked to my constituents, which I do regularly about globalization, they say to me, but there's nothing new about this. Globalization affected shipbuilding 30, 40 years ago. We used to build thousands and thousands of tons of big merchant ships in my constituency. Thirty years ago that all went out to Japan and Korea. So this is not something that really people have been just looking at in the last couple of years and thinking, oh, what does this mean for me? We've been living this for the last 30, 40 years. In fact, all of our economies have done that in different ways and forms.

But I think my take on the trade argument and specifically, is this that – I've only been here 24 hours, so I'm not sure where I am, actually – (laughter) – but I'll tell you what I am struck by, is this sort of the very sort of – now, maybe it's a political thing and maybe I shouldn't get into that. I'm trying hard not to, but there's a very different perspective, I think, that's playing in all of this. We, in Europe and in the UK, see the very strong developmental agenda around the world trade organization, around the Doha Round.

That doesn't – I don't really that reflected so much in the debate here, and I think this is a very important issue for progressives, too. Now, yes, we've got to manage the domestic politics of how we reconcile our belief, as Gene was saying and very, very, I think, eloquently, about the long-term gain, the long-term benefits for our constituents from globalization. We progressives, we can't be the ideologues here. The right, I think, across the developed world, are becoming much more dogmatic in their view about this.

I think the (center left?) should not be – I love the rising tide lifting all boats sort of analysis from President Kennedy in the '60s. I think that is the quintessential progressive challenge today still, and I agree very strongly with that, Gene. But I would like to see progressives here take that very strong developmental agenda forward in their analysis about the world trade round in particular, because I think the potential is huge there for our own economies, and, yes, it's okay to be reflective and to think about our own material economic gain that we can get from this.

Of course, we will always do that, but I generally do think with the world trade round, we've got a double win for progressives. We can help our local economies, our national, domestic economies, develop and change and grow, at the same time as benefit the world's poor. And that has got to be – look, that has got to be right at the top of the agenda, I think, for progressives as we think about our own domestic economic policies, but much more fundamentally, about how we think about our foreign economic policies too, and this is something we can't shy away from.

MR. PODESTA: I brought a prop along with me. You've noted that the Labor Party should be the natural party of business. In this morning's *Wall Street Journal*, the top story is "GOP Is Losing Its Grip on Core Business Vote." When you said that, were you thinking about that from the perspective of that, the Labor Party policies are better for growth, or that business actually has a kind of – the social dimension that binds together the agenda of – what's your perspective on labor, particularly the party's

relationship to business in the UK, and why business in the UK should support labor policy?

MR. HUTTON: I think there're two ways I would have a go at answering that question. Some of it reflects the local domestic political scene in the UK. It's a natural tendency for oppositions, the longer they're out of power. So basically, to conduct their policies on the basis of just trying to accumulate as many third-party endorsements, particularly from NGOs, nongovernmental organizations, that they possibly can. And where that usually leads you into is a position where you've got four or five completely conflicting policies, and that is where, basically, I would argue very strongly the British Conservative Party has ended up.

Sometimes they look like they the actually – the arch-regulators. They want to sort of require people to go to do their weekly shopping at the supermarkets to pay a fine, a levy, for actually parking in the car parks. They have this crazy idea – and I think it's crazy because I'm a real chocolate fan – that if you eat chocolate, we should develop a kind of chocolate-trading scheme to parallel carbon trading. Chocolate is a bad thing. It leads to obesity, so we're going to have to have some extra way of making people stop eating chocolate. It's crazy.

Look, the only insight – people will always want to eat chocolate. (Laughter.) There is no particular economics about that, but it's a reality. So some, I think, John, of the changes in the political framework in the UK have to do with where the Tories have allowed – the conservatives have allowed themselves to be positioned, weird people who propose weird things. Now, I'm very happy for them to carry on that way, but that's the gist of it.

MR. PODESTA: (Inaudible) – about the Republican Party in the United States.

MR. HUTTON: I'm not getting drawn on that, obviously. But the second thing I would say, and I think maybe this is – I hope for progressives here, maybe more relevant to the situation in the U.S. – what we have found – what James and I have found in new labor in the last 10, 15 years, is that the old politics in the UK was always that you had labor on one side of the fence and you had the bosses on the other. And basically, our politics was the two screaming at each other. Now, what has actually happened in the UK has been quite interesting in the last 15 years. That is no longer basically where the dynamics are in British politics.

It's okay to be in favor of profit and to want your companies to do well, and actually, at the same time, to be concerned about poverty and the lack of opportunity and the poor quality of public services. I think there is a rich vein for progressives to tap here. It's not easy, and it will depend on the national situation, obviously, but we have found that there is increasingly, in the modern world and the modern economy, much more affinity between the needs of business, as traditionally defined, and there's the needs of labors, we on the central left have traditionally defined ourselves. And I think that opens up a tremendously exciting new opportunity in politics for progressives to,

yes, to be the natural party of business, and I think that's where we should always try and find ourselves.

MR. PODESTA: Bob, actually a two-parter. One is with respect to the Doha Round. I saw no evidence that the U.S. business community made any attempt to build a constituency around the development agenda in the Doha Round. And, A, do you think that's right, and, B, was it a mistake not to? And secondly, do you think – you follow the labor management relationship in the United States. Do you have any reflections upon the UAW-GM deal with respect to what John just sort of put on the table?

MR. RUBIN: Let me deal with the second question first.

MR. PODESTA: Okay.

MR. RUBIN: No. I'll take the first question first.

MR. PODESTA: Okay.

MR. RUBIN: Because that's easy. I think Doha was very important, John, and when it first came around, and I looked at it, I thought, boy, this is something that really can make a difference. I live in the business world everyday. I've never heard anybody talk about Doha. It has no business support, it has no business interest. And it probably wouldn't have happened anyway because of all the politics of trade in this country, but there was absolutely – you can always get business to coalesce, as you know from our days of Clinton, around trade. There was coalescence or interest in it.

And I would talk to people. I'd see a lot of people sort of almost every day, running the big companies, and I would talk to them. I would say, "Isn't Doha interesting?" And they would say, "You're a nice man. Let's talk about something else." (Laughter.) So there was no interest in it whatsoever. I think that's correct. And I think it's too bad because I think it's actually very important.

On the second one, I spoke to a friend of mine who's deeply involved in one of the large auto companies. He had a very interesting comment, John. He said this General Motors agreement with the UAW, he said it was something new in union relations in the United States, which is that it was both sides, the unions and the company, focusing on the importance of the health of the company as the avenue to profits for the company and the wages and job security for labor.

I mentioned, John, last night, I have a friend who runs one of the large medical centers in the United States in New York, and he told me that up to about 10 years ago, they had a terribly fractious relationship with labor. It was terrible. About 10 years ago, when the hospital got in trouble, the medical center got in trouble, they started focusing on the health of the medical center because if it didn't do well, nothing would do well. And he said the consequence has been that they've had a terrific workforce relationship, the institution has done very well, the union members have done well and it's really worked.

And I think, John, that really could be a formula of the future for industrial relations in this country. We need that collective bargaining. Galbraith wrote about the countervailing power. You know, the countervailing power, it's a tremendous detriment to some sort of reasonable allocation of the benefits of growth, but I think it needs to take place in a way that also promotes the economy. So I think this – if that characterization of the GM contractor is right, and this fellow told me about it is a very knowledgeable guy, I think it really could be a new path forward.

MR. PODESTA: I want to actually come to the people who probably have the least power in the workplace, which are low-wage women workers and come back to Karen for a second. I'm a lawyer, so you'll forgive me for bringing a law review article from the *Berkeley Journal* on employment and labor law by Anne O'Leary, but she wrote a piece that notes interestingly, and chases the history of that, as women's overall workforce participation has increased, low-wage working women have become much less likely to have access to pregnancy and family leave than professional counterparts.

And I'm wondering whether you – in your work, whether you've reflected on that, and what are the kind of inputs that could really make a difference with respect to giving low-wage women access to those kind of work support, so that they can both raise their family and stay in the work force?

MS. KORNBLUH: Yes. One thing I didn't note before which is that President Clinton, and all the people associated with him, deserve a huge amount of credit for getting the Family Medical Leave Act through, which meant that you couldn't be fired in this country for taking time off when you had a new child or a sick child or a sick family member. But it only applies to companies over a certain size, and so these low-wage women often work for smaller companies.

If you work below a certain number of hours, if you work – if you haven't worked for the company for a set amount of time, and this is the characteristic of low-wage women, obviously, then it doesn't apply to you. And of course, there's no requirement that it be paid, unlike in Europe, and there's been very little movement on that front, except in California where they have moved ahead with a payroll tax to cover it, and there's been some looking at that in the Congress.

But what you find is if you're a single mother, and a third of American children right now, which is an astonishing number, a third are in households with either one parent or no parent. When you think about the Moynihan Report that raised all this ruckus talking about African-American families, and this is much higher. And if you think about that single mother who is working to support her family in a – let's say she's working at Wal-Mart and they can change her schedule at a moment's notice, she can't afford childcare, and if she takes a day off because her child is sick, she loses her job. And Jody Heymann, who's sitting here, has done a lot of work looking at how far behind the U.S. is from countries all across the world in this respect.

So I guess I would – I was very interested in what Gene said, and I thought it was fabulous, but your emphasis on saving for retirement and on college, I think that's very, very, very important. But I think if you don't focus in the very early stages, and you don't look at the pressure cooker that these low-income families are under, and you think that these are the people who are going to be our workers in the knowledge economy, that these are going to be people who are going to be paying our social security, and we're creating an impossible situation where the family can't help them and there's no alternative.

And so I guess what I'm very struck by, of course, I agree that the domestic agenda has to be the response to globalization. But one thing we progressives in the U.S. seem to be so cautious about is how aggressively we're going to put forward a new agenda, as opposed to defending the existing programs that were put in place by FDR. And I think we're so – the conservative anti-government agenda has been so powerful and so compelling, that I think we're very nervous to give them the slightest opening.

And so we defend our programs to the hilt, but are very cautious about putting forward anything else for fear of being called big government or being on the side of bureaucracy. And I think if we could find a way to do it, so we don't sound like we're raising taxes or just a friend of bureaucrats, but somehow that we're giving tools to families in a smart way, but I think we have to earn that step-by-step and I guess health insurance is where we're starting.

MR. RUBIN: I totally agree with that, Karen. One thing President Clinton once said – he said a lot of things that struck me – but I remember when we were talking about something or other, and he said, the conservatives have sort of captured the prism through which government is seen and that's wrong. And somehow or other, progressives, or whoever you want to call them, have to get that back.

MR. PODESTA: That goes to the point Linda raised earlier, too, which is around taxes, which is the other prism they've captured is that growth only comes from reducing taxation on investment and wealth, and that taxation should be layered on in an increasing – at least in percentage terms – increasingly on the cost of labor. And is that a strategy that's likely, in your mind, to produce the kind of workforce investments which will keep the economy competitive?

MR. RUBIN: John, I think, and I've actually spent a fair amount of time on this, I think there is approximately zero evidence to suggest that if you increase rates back to where President Clinton had them – which is what I would do in the top two brackets right away – that it would have one iota of adverse effect on our economy. Gene will well remember, you remember, in 1993, when we put rates up on the top 1.2 percent of the taxpayers, and the conservatives who opposed this said it was going to put the country into recession. Instead, we have the longest expansion in the country's history.

And similarly, on capital gains taxes, I suspect there is a rate beyond which you wouldn't want to go, but – and again, I think there's no evidence to suggest that having moved them down from where they were to where they are is likely to have any

beneficial effect on either investment or on savings. So I think there is a lot of ideology, but I think there's no empirical – in fact, I think the empirical evidence also – it cuts the other way.

MR. PODESTA: John, what's – with respect to UK, what's your reflection on the relative balance? I know that to some extent, you've followed a tax-cutting agenda with respect to investment income but –

MR. HUTTON: Well, I'm only allowed to talk about tax when I leave the UK. When I'm actually in the UK, I'm not allowed to say anything about it at all.

MR. PODESTA: That's true in the U.S., as well.

MR. HUTTON: Yes, I'm sure. Look, I've just got one or two observations to make. I don't know what James thinks about this, John, but we learned the hard way. That's what I would say in our politics for 20 or 30 years. We were seen as the high tax party. And by that, what people saw, when we talked about higher income tax rates, that we were somehow against people succeeding, that the more you've succeeded, the more you're going to sort of take the gains of your hard work away from you.

And I think that is a very bad signal for progressives to send. Now, our taxation system, we've tried very hard to make sure it's progressive, so that clearly, the more you earn, you pay your fair share. But I think when it comes to income taxes, I think my only advice I would have or give to anyone is you've got to tread really carefully there.

And I remember sort of 20 years ago, when I was just a young, idealistic politician sort of knocking on the doors and trying to get people to vote for me, we then had a policy. James was too young. I'm not even sure he was born then when this was happening. We had a policy that we would increase the taxes for those at the very top, and you might think that's a very progressive policy. The truth is, though, in this day and age, what people hear when you talk about, well, we're going to tax the rich – hey, you're going to tax me.

Now, the truth is, we weren't, but I didn't meet anyone in that campaign that didn't think that we were proposing to raise their taxes, and raising taxes generally on income is really not a vote winner. That's my only sort of observation as a politician, so you tread carefully there.

I think business tax is more complicated, clearly true, but I think you look in the modern day and age, and I think the trick we've got to pull off is basically how can we, as progressives, be the party of aspiration opportunity in the way that Gene has said? We can't just be the guys who go around clobbering the people who've succeeded in their lives because that's a terrible signal for us. But we've got, at the same time, to make sure that people who are well off pay their fair share and we all have our own national strategies to make sure we get that balanced right. It's not an easy thing to do.

MR. PODESTA: Linda, you want to reflect on that from an Italian perspective?

MS. LANZILLOTTA: Two parts. The first one is about women in Europe and especially in Italy, where the problem to increase the rate of participation of women at the labor market because it's very low. And there isn't convenience for women, if married and with children to work because the cost of the services for kids, it's too high. So we have to – this creates two problems: low productivity and low rate of fertility, so for growth, we have to establish new nursery, public services for women and support at the local level.

The second one, the taxation, the progressives in Italy are perceived as the tax party. This is terrible; this is terrible. We lost in 2001 for this reason, and if we shall lose the next time, it's for the same reason. And so we have to push for the growth, open the market, reduce – cut public expenditure to improve new welfare state with public and private partnership. I don't see other answer if we want to combine competitiveness and new welfare. So I think that this is one of the points of our work agenda.

MR. PODESTA: (Audio break) – James, on how we become the growth and social equity parties.

MR. PURNELL: I – oh, I'm sorry. Be my guest.

MR. HUTTON (?): I want to say something very quickly, picking up on what Bob said about the prism, which is, there has been a big battle for the prism in the UK, and one of the foundational changes of new labor was Gordon Brown selling a very difficult message in the 1990s about how we were not going to change one iota of the conservative overall fiscal envelope going into the 1997 election.

And that was particularly difficult because actually they had set a big deficit reduction package effectively, because they'd overspent in the early '90s. So when we went into power, we inherited a set of tax plans which meant very significant cuts to public expenditure. So we basically tried to get ourselves off being the tax party by saying, don't worry, we will spend as much as the conservatives.

In government, we've been able to grab that prism back to the point where the last two elections have been fought on investment versus cuts, and the conservatives got themselves into a position where by them promising to cut our programs, actually ended up being a vote loser for them. Now, I think that was possible for two reasons. One is they had had such a hit to their economic competence, reputation for economic competence, from Black Wednesday and the exit from the ERM, that people just didn't trust them with the economy or tax at all.

But secondly, I think we have been very conscious in trying to make a successful argument for an enabling state, rather than a big state, and that's why the agenda of public service reform has been so important, which is if people get a sense that it's actually about big state, pouring money into bureaucracies, which isn't actually delivering anything for the individual, then that creates an opening on the right.

Gordon Brown and Tony Blair have always been very keen to send that off by having public services which are personalized, where the individual has control and where you genuinely get a sense that what the investment in the state is doing is helping people to have great autonomy for themselves, rather than some big clobbering bureaucracy which is doing things to them.

MR. SPERLING: I think it's very important that you have to lead with what it is that you want to do with your progressive agenda. And I think that when you, therefore, go to having progressive taxation, it's not so much your lead point. It's a priorities issue; it's not a class warfare or a lead point. So for example, I think this year, you'll see a debate on universal healthcare.

And the question is you can go out and say, oh, we ought to simply restore – you can make your lead point, we ought to restore the tax rates to the pre-Bush era. I don't think that's the right lead message. I think the right lead message is just say, here is a powerful – things that we can do, like universal healthcare, and then ask people what the priorities are, and wouldn't it be worth asking the top 1 or 2 percent to sacrifice a little for something that would be very good?

That said, I do think that the conservatives are risking, in the sense that perhaps progressives lost touch with some more basic middle-class values – 20, 30 years ago, I think President Clinton helped restore that; Tony Blair helped restore that. I think they're in danger right now. I think as they're – and I think you saw this in the debate over the kind of carried interest issue, which is that Americans are upward. They vote their upward aspirations, they want to not just have security, but to do well.

On the other hand, when you start seeing people – when you start seeing somebody who is working for a hedge fund or a CEO actually paying lower marginal rates than the people who are taking care of their children, teaching their kids in school, putting out their fires, I'm not sure that you don't kind of walk off a bit of a values edge for them. And I think that the key for us is to say, we may have a winner-take-all economy. We don't need a winner-take-all tax system that kind of exacerbates it, where the hard work of average people is now taxed more than the wealth of the most well off.

I think the trap is not to get caught, like your goal is to be anti-wealth. And that's why I think if part of your message is not just that you want to reward work, but you want to give that typical family a chance to have a nest egg, a chance to save, a chance to invest, maybe the chance to even make a bad investment in the stock. I think you send a very different message. You try and have everybody be part of a wealth creating society as just being for work and against wealth.

MR. PODESTA: So we can't have class warfare, but we could have class skirmishes once in a while. (Laughs.) I'm for that. Karen, James raised the notion of enabling state, and our Norwegian colleague yesterday was talking about the kinds of social programs that you've discussed in your work, in your literature, as really investments in enabling the overall economy to thrive because women are valued, they have the capacity to stay in the workforce and compete and complete their careers,

complete their education. (Laughter.) Thank you. For those of you who don't know, Bob has a wife named Judy as well.

MR. SPERLING: And we also discussed strategically that it would be humanizing for him to take a call in the middle of this. (Laughter).

MR. PODESTA: But we hardly ever talk about family medical leave in those kind of terms. There are social programs in the United States, rather than core economic program to essentially create a more high-skilled, high-wage workforce and improve human capital. Is that a mistake? Should we really take this approach that James was discussing and really kind of try to reframe this work in that context?

MS. KORNBLUH: Yes. (Laughs.) I think it's much easier to make the argument in this country on the basis of the kids, since they are the innocent victims, and I think once you get into talking about mothers, you have this whole – all these moral hazard issues that people start raising, which I think are red herrings. But still they get raised, which is, if you help a mother too much, then maybe you're encouraging her to have children out of wedlock, or people who don't like the idea of mothers working, so you're encouraging her to go to work.

But I think the discussion yesterday should give us courage to make the argument that especially when you're going into this aging demographic situation that you need all the skilled labor you can get. And if women are being kept out of the workplace or you've got a situation where they're delaying childbearing or having fewer children than they want to have, you've got to change that situation. And I think we just get so caught up in these cultural issues and forget to look at them as economic issues as well, and I think maybe that would be a breakthrough for us.

In the UK, and I hesitate to speak about it because I'm sure I'm going to get it all wrong, but Tony Blair, from my understanding, when he did this right to request, which is that you can – the EU has a directive that you should be able to make it easy for people to do part-time work. And in the UK, the way it's been implemented, in part, is that you have the ability to make a formal request to your employer that you want a part-time or flexible schedule. And your employer has to give it serious consideration and meet with you and talk about it, and you have to figure out how you're going to make it work. And if they can't make it work, then they can say, no, and then there's a series of appeals and so on.

It's been, from what I understand, extremely successful, and correct me if I'm wrong, but the way you led into that was – by the way, labor led into that was, from what I understand, a public education campaign, which I think was very, very interesting, with grant programs for early adopters, and work consultancy working with businesses. So it's a really different approach, as opposed to just – because these are complicated issues to think through. It's such a big change. As you said, we're so internalizing all the effects of the global economy, I think we really haven't internalized what's happening with the family. So I think doing that kind of public education and leading that way is a really interesting model.

MR. PODESTA: Do you want to comment on that, or John?

MR. HUTTON: James's actually responsible for it.

MR. PURNELL: We've had this legislation for several years now, and about 80 percent of requests to work flexibly are granted by employers. And I think the interesting thing we've found out about this, because one of the great tensions I think we face, as progressives trying to deal with some of these changes, what is our basic instinct? Often, it is to regulate, it is to impose new labor standards and to regulate employers. Now, I'm not averse to doing that when the circumstances are appropriate.

But the right to request, I think has struck a particularly useful balance between the need to maximize and to protect women from discrimination and exploitation in the workforce, but in a way which actually employers find suits their needs as well. And, in fact, most employers in Britain now consider requests outside of the statutory parameters of the requests for working. At the moment, if your youngest child is – I think it's six – or you're caring for a disabled adult, you've got the right to request flexible working, but most employers now will look at flexible requests for workers from a whole range of different circumstances.

So we're kept employers on board with this change. It has delivered really important gains for women in the workforce. I think looking after the family structure is one of the real challenges for progressives, I think, as we deal with the challenge of globalization. You made the point, Karen, about maximizing the opportunity for women to work, and skilled women, is hugely important if we're going to remain competitive and so on.

And I think maybe there's something in this, that this is a way that we can sort of satisfy our own concern for social justice and our passion for it in a regulatory format that doesn't now encumber employers with unmanageable and really bureaucratic and costly burdens, which often only have the effect of dampening the opportunities, or restricting them for women in the first place. And this is something we've got to take into account.

MR. PODESTA: I'd like to ask James just to – I'd like to spend a minute on personal retirement, personal retirement accounts, part of the enabling agenda. Of course, here, that's the third rail. It was viewed as the charging horse for privatizing social security, getting rid of a direct benefit under social security. You proposed it and championed it over there, but I wonder whether you might talk about how it's been received. But also, is it structured to retain a defined benefit program under the pension plan, so that it doesn't hollow out the basic social security guarantee that's in the UK law?

MR. PURNELL: Again, John was my boss in the Department for Work and Pensions when we were doing this together with – (unintelligible) – and Lauren Hardy (ph) here, but the essential background to it is that the UK had a real winners and losers pension system. So if you worked for a big company, you would normally have a good

final salary scheme, and people who are retiring on those schemes now have got a good retirement income. But 40 percent of the workforce had pretty much no protection at all and was retiring on a state pension system which, by European standards, was incredibly miserly.

The conservatives decided to change that by having a very big stress on individual private saving. And I think one of the things which is very important to do when you're comparing the British and the American system is to realize how much of the British system is based on what I think here would be described as privatized pension saving. So most people in the UK, in fact, everybody in the UK is expected to top out their state pension system through some private saving.

The problem was that it was an area where actually expecting people to exercise that level of complicated choice just hasn't worked and as pro free market progressives, that's been something which we took quite a lot of convincing on the evidence of. But when you look at the evidence, it's completely incontrovertible which is people just find making financial decisions of that kind about how much they should save, where they put it, what kind of annuity they should take, they just found it too difficult. And therefore, because they were so worried about whether they were taking the best decision, they ended up taking no decision at all, and so we had a big gap in the UK market, and Tony Blair recognized that.

There was, therefore, going to be a need to move towards a much more interventionist system. And to achieve that, the process by which it was achieved actually – to pick up on the point that you were just making, Karen, was quite interesting – which is, there was a national commission set up with an ex-head of the Employers' Federation, a very good trade unionist and a very well respected academic. There was then a national debate around the very difficult questions around raising the state retirement age, around compulsion on employers and around an increased saving by individuals, and what that debate achieved was, it made the taboos non-taboo.

So the first time that the idea of raising the retirement age was floated, it was "Work till you drop," all on the front page of the papers. The second time it was on the page three of the papers, and it kind of gradually moved back, to the point where they were able to internalize within what was known as the Turner Commission, a set of tradeoffs which allowed everybody to say, well, we haven't got everything that we want, but we've got a package which is significant enough that we all want to back it.

So what's the package? The package essentially comes – again, it's an interesting example of interaction between American and the UK – it's based on the idea of 401k default savings systems, the evidence which has been looked at here which is basically retirement saving rates are much higher where you have a default saving system, which is basically an answer to the point that, let's take that inertia and use it to our advantage. So we will set up a national savings scheme, personal accounts, which everybody will be automatically enrolled into unless they're in a company pension, which is equally as good or better.

Employees will have to make a mandatory contribution into that as long as the individual stays in it. It will be run by the private sector, but organized effectively by the public sector, and we believe it's going to get up to 10 million people saving who aren't saving today. And the trade unions had to accept that there would be raising the retirement age; employers had to accept that there would be a compulsory contribution for the first time; and we had to accept a significant reform of the state pension system so it would provide a more generous floor on which people could save.

MR. PODESTA: Gene, is that the path forward for a universal 401k?

MR. SPERLING: Well, as you know, a few of us here were involved when President Clinton did a USA Account, which was a very significant progressive saving account, and I've tried to take the – tried to keep pushing that – I've used phrase universal 410K. I think what's interesting in our context is, and we've learned is kind of the interaction with how people look at social security.

And I think what you're finding is that when you – in our political environment right now, when people talk about it in the social security context, it creates, I think, a distrust, that it is somehow going to be a back door to privatization. And in that sense, I think it has more distrust with progressives. When, however, it's presented more as people should have social security, which should be the guaranteed benefit, the non-risk free part of your package, and then over here, shouldn't everybody have a pension? And as you say, it's very much like it is here.

We do have something that works wonderfully in our country. If you are lucky enough to have a universal – have a 401k at work, you're a triple winner if you're high income. Your employer gives you a match, you could automatically take it out into account, and if you're in a higher bracket, a 35 percent bracket, you get a 35 percent tax incentive. If you are one of the 40 or 50 percent who doesn't have a plan each year, or the much higher percent – as Karen would tell you, a single woman, working women who don't have something, you're often a triple loser. You don't have an account at work, you don't get any match, and since you're in the 10 or 15 percent bracket, you get very little.

So I have found you can go to a very conservative audience and say, shouldn't the people who are going to clean up this room afterwards have at least the same ability to save as you do? And so I think that our hope is by saying, let's have a universal 401k. I think this goes to a lot of what we were talking about, too. It's not just – it's both security and it's wealth building. And I think if people see it that way, as part of a larger retirement security package, it could happen as part of a larger social security reform, but I think the key is to have it progressive, to turn around our upside-down tax incentive system, to make it cover everybody. So I think – I hope that the future for the next progressive president, whoever that is, is to have a universal 401k, automatic default with a government match that they get whether their employer does or not.

And then, I think you would start to have a more equal – I think it would be pro-growth. Eugene Steuerle estimates that if people on the bottom just save \$500 more

each, you'd have our net savings rate go up 20, 25 percent. But it would also be, obviously, pro-equity, and it – just in my last note is just to say that we spend so much time talking about inequality. I think even yesterday in our all-day session, it was all income inequality. Unless you're talking about something like a universal 401k, you are completely ignoring the vast wealth inequality that exists between blacks and whites and between various different segments of our society.

MR. PODESTA: I'm going to give Karen and Bob a second to get in here, but we're going to take a couple of questions from the media, if you have any, in just a second. But Karen, you wanted to jump in on this?

MS. KORNBLUH: I just think this issue and the healthcare issue raises the question of what we're going to ask your employer to do and what the state's going to do, as we move forward, and when, as discussed yesterday, when employers are global, they're not necessarily (wed?) here. Their interests are separate from their workers. It's just a very interesting question. Should the employer – some of these studies have said if the employer can at least be a good person to make you save on a regular basis to do the administration, but maybe they shouldn't be your health insurer, for example.

And so I think you see a lot of these health plans trying to grapple with that, the pension plan sort of go with that. I think on some of these work family issues, you can't get away from the fact that if you're going to control work hours, that's a mandate you have to put on employers. But you obviously want to keep – if you want investment in the U.S., it's a real balancing act to figure out what you're actually going to put on the employer before he goes overseas. So I think that's something we need a lot of clarity about. We can't just keep doing things the way we've done them in the past.

MR. RUBIN: Can I make my comment on a slightly different subject, John, about the –

MR. PODESTA: Sure.

MR. RUBIN: I think James – James made a comment – I never quite thought of it the same way because of the way he said it. If you take Franklin Delano Roosevelt, he created a prism at looking at the functions and what government could do. And it relates both – it makes the growth – having an effective growth economy, it relates to how benefits – (unintelligible). And then over time, that changed, and as we said a moment ago, I think the biggest challenge for progressives, maybe, John, is not any of these individual policies, or maybe even all put together in a way, but is recapturing that prism, because once you have a prism that looks at government as a constructive force, assuming it's efficient, (unintelligible), then you can go on from there to try to do the kind of things you need. As long as you're fighting the tremendous head wind of having government viewed the way it has been painted in the last some decades in this country, I think it's going to be very hard to really do what this country needs, both for growth and for some reasonable distribution of benefits of growth.

MR. PODESTA: Of course, the prism, I think, of the world we're in today, from today's *New York Times* headline "Arctic Melt Unnerves the Experts." I think that the experts that they were referring to here were climatologists and scientists and the people on the IPCC, but I wonder whether it's beginning to unnerve the financial experts, and whether you can get sustainable growth without a completely new energy future in the country, in the world, really?

MR. RUBIN: Sure, no. I became persuaded – I was not environmentalist when I went to our administration. I thought it was of snail – (unintelligible) – and things for sort of an effete kind of character. And Gore persuaded me, and I think he's right, not on global warming, just more generally, that you're not going to have an effective economy unless you also have effective environmental policy because ultimately, your environmental problems will undermine your economic growth. So the two have to come together, and obviously, global warming is the most important part of that, or I think it's probably the most important part of that.

MR. PODESTA: You live in a sustainable community, right?

MR. PURNELL: Well, we have a radical piece of legislation coming in which again, John will know more about than I do, but which is setting binding targets for carbon productions of – well, now planning to move towards 60 percent reductions by 2050. And the goal there is, rather than having micro-interventions to change the overall system, so that people within that have incentives to change the behavior, but I'll defer to my –

MR. HUTTON: Well, let me just say one or two things about this. I missed a lot of the discussion earlier on, and so I apologize for that. I'm not quite sure, John, what was raised there, but look, our sense is that this is the big one. This is the biggest economic, social and political challenge this generation faces by some considerable distance. And just to put that into just a little bit of context, I know people think in England, it just rains every winter and so on. It does rain quite a lot.

But in the last 12 years, 11 of those years have set record summer temperatures, and by record, I mean because we are who are, we're talking since 1648, because we religiously, every year kept an average summer temperature. Yes, we are obsessed by the weather. (Laughter.) That's really what that tells you. But, look, it's no coincidence, okay? We are causing the climate to change. There's a 90 percent probability now that it's man made. It is what we are doing to our planet that eventually is going to kill us.

So look, I think we'd better be serious about this. Now, there's a very big debate to be had about what is the right response and so on, and again, there will be differences and so on about the approach that we should take. But our approach, as James has said, is very clear. We need enforceable targets. Fundamentally, we need a proper price for carbon. We've got to find a way of shifting to low carbon technologies, renewables, nuclear, whatever. We've got to make that transition and we've got to make it very quickly. If we don't, then obviously, a lot of the rest of the debate we've had, it's going to be largely irrelevant.

We did a piece – I think, a hopefully useful piece of research about a year ago in the UK, when Nick Stern produced his economic analysis, I think the first really comprehensive one, that science is not 100 percent, of course, in terms of the economics here, but I think it's a very simple no-brainer for us. Look, I'm not an economist. The price of doing nothing here is five times higher than the price of actually doing something sensible now. And look, at the end of the day, every dollar, every pound, counts and we can only spend it once.

MR. PODESTA: James mentioned the Turner Commission. We had Adair Turner run a commission for us on climate change and there's some very valuable work there, so I recommend it to you. I am going to take one or two questions from the media if there are any. Please.

Q: (Off mike) – Magazine. Excuse me. I wonder if you could just discuss a little bit the implications of some of the globalization issues with the movement of jobs and investment overseas for the corporate tax system. Somebody hit on it very briefly, but any thoughts on how that needs to – what changes might be needed there?

MR. RUBIN: On corporate tax?

Q: Yes.

MR. RUBIN: I can't say that I ever recollect – I may be wrong about this, and don't hold me to it, but I certainly, I hear people talk about where they're going to locate activity, what they're going to do. They talk about efficiencies and all kinds of other considerations about the quality of service, and also the tremendous advantage of having activity here because there are a lot of advantages being near your colleagues, your competitor, one thing and the other. I can't recollect anybody mentioning taxes, corporate taxes, as a significant factor in their decision. Now, I have heard people talk about it, if you're going to locate something abroad, then taking it – like when Ireland had a favorable tax regime, but I don't think that –

I, at least for one, don't think that American corporate tax rates, if that's your question, at current levels are a significant factor with respect to locational decisions. I'm not saying they never affect a decision, but I think on balance, I don't think that they're a major – a significant factor. And I think if you're going to do the kinds of things that a government has to do, if we're going to have an effective economy, which like all of the different things that we have to do, the revenue has to come from some place, and I think that I would not materially change the corporate rating.

MR. PODESTA: UK perspective, John, corporate taxation?

MR. HUTTON: Well, we want to keep our corporate taxes as low as we possibly can because we are conscious just how competitive now the global marketplace is. And investors have real choices to make about this, and we have been trying to systematically

lower our main rate of corporation tax in order to make sure that the UK remains a very powerfully attractive place for people to invest with some success.

So I'm not an expert on the U.S. corporate taxation regime, so I don't really want to get drawn on that, but I would say that I think every country now has to got to try and make sure it's got a vested interest in making sure its corporate tax rates are as competitive as possible.

MR. RUBIN: Yes, but I think your problem, John – and you are – (unintelligible) – also lower individual tax rates. On the other hand, if the government is going to do the things that I, at least, think government's got to do, if you're going to have a successful economy, you have to pay for it someplace. And it's not going to come from grants from the IMF – (laughter). So you've got to find some way to pay for it. I know you did a long time ago.

MR. SPERLING: I think this is part of what will be a larger conversation in the United States going forward, which is what does affect job locations? Lowering the corporate tax rate, in and of itself, does not directly affect as much job location. I think we're going to enter a period – we should be pro-job growth, we should be pro-business in our approach. But I think we also, when we look at the divergence happening between corporate profits and wages, I think for American policy makers, they can't just take the approach that what's good for GM or good for Intel is good for U.S. job location.

And I think what you need in policy makers is to look for what is that nexus. A major CEO has maybe a fiduciary duty to their shareholders to look for the most efficient supply chain they can. But a U.S. policy maker has a duty to their voters, to their constituency, to look at where that nexus is that affects job creation and high wage and labor standards. And I think that opens you up to a larger and more textured conversation about, as Karen was saying, should we be taking some of the burden of healthcare off workers? What is the kind of infrastructure, what's the kind of education strategy?

So I think it would be great to have that conversation. Where is the nexus for the multinational company in terms of it affects job location and job creation here? But I think just having it about corporate tax rates, is just taking one sliver of what really is a more comprehensive discussion.

MR. RUBIN: A good public education system, good infrastructure, effective basic research and a whole bunch of those other factors, I think, have vastly more effect on where people locate business than a change in your corporate tax rates.

MR. HUTTON: Let me just sort of – (unintelligible) – I'm eating a sandwich here, but again, my context – I hope that wasn't an inappropriate remark, by the way. Let me just offer you one sort of insight again from across the ocean. Ireland has had one of the most sort of remarkable growths of any of the EU economies in the last 15 to 20 years. And there are people who will argue, the talks about exactly why that is, but there's very few economists in Europe, in the UK, who don't think that their corporate

tax regime has played a very significant role in making Ireland a very attractive place for people to invest.

So look, it is obviously the case that there are other things that go into the melting pot when decisions are made about where to invest, but I think we have to be really careful here that we don't ignore the role that corporate tax regimes can play in investment decisions. I think they are important.

MR. PODESTA: Linda? Do you want –

MS. LANZILLOTTA: Yes. I agree. In the last budget law in Italy, we reduced corporate tax because the system is very international, is a single market. So taxation on business has to compare with the environment and the new – it's very difficult to have a national policy about this issue. And so in Italy, we brought the taxation at the level of Germany, which is the lower, I think, than the UK. So we have to capture capital and investment and this is the crucial point for the growth.

MR. PODESTA: I would ask you to join me in thanking this fabulous panel.

(Applause.)

I think we've all learned from each other. Hopefully, we can go back and take some of those lessons, and actually get them implemented and enacted into law, so that we can make our societies better. Thank you very much for being here.

(END)

