CENTER FOR AMERICAN PROGRESS

MAKING AMERICA A WINNER IN THE CLEAN ENERGY ECONOMY

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TO VICE PRESIDENT JOSEPH BIDEN

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PHIL ANGELIDES: Welcome back for the final session of today. I had the opportunity to greet all of you this morning at 6:00 a.m., Pacific Standard Time, and I'm perkier now and I'm awake. But I understand it's been a great day. There's been a lot of ideas put on the table about how to put America back on the path to sustained economic prosperity, and to do that by capturing the lead in the global clean energy economy.

But before we adjourn, we're going to hear today from one of the foremost thinkers in the area of sustained economic progress, building an economy of broadly shared prosperity that can endure the test of time. We're very honored to have with us Jared Bernstein, who, today, is the economic advisor to Vice President Joe Biden and executive director of the White House middle-class task force. He's a friend not only to the Apollo Alliance and the Center for American Progress, but to working men and women across this country.

Jared has had an illustrious role. He's worked with the U.S. Department of Labor. Prior to his work in the administration he was a senior economist and director of the living-standards program at the Economic Policy Institute here in Washington, D.C. He has been a forceful advocate of building the right kind of economy for this country, focusing on how we can be competitive, in the best sense of the word, for our people and for our future.

And so it's my great honor to introduce Jared. But before he comes up, I do want to say that he's going to make some remarks, and at the conclusion of his remarks, we're going to have a little dialogue here in the directors' chairs. And so please give Jared Bernstein a big welcome. (Applause.)

JARED BERNSTEIN: Thank you, thank you Phil. It's an honor to be introduced by you. We were just having a great discussion in the green room about Phil's activities in investigating the etiology of the financial meltdown, of which I can't think of a better guy to ride herd on that critically important process. Hello to all my CAP friends. You mentioned that EPI's in Washington; it's actually a few floors down from where I stand right now. So this is a familiar building to me.

I'm here today to amplify a simple message, which is that manufacturing matters. It matters a lot today and it will matter a lot tomorrow. I'm going to make some comments about manufacturing and tie them into clean energy in a way that, I hope, you find interesting food for our discussion when my comments are done.

As the executive director of the White House taskforce on the middle class, I can tell you that manufacturing matters because it's a source of good jobs for middle-class families. As a card-carrying economist, I can tell you it matters a lot because it's a highly productive and innovative sector. And as a member of the Obama administration, I can most emphatically tell you it matters because this president has a vision of seeding new industries that will establish

America as a leader in the clean energy economy of the 21st century. And most importantly, he's taking steps to make that vision a reality. This is not just talk.

Now as I just mentioned, I'm speaking to you today a few floors above my old haunt, the Economic Policy Institute, where I co-wrote nine editions of "The State of Working America," a tome that carefully documented the very deep challenges faced by our manufacturers over the last few decades.

So I don't want to sugar-coat this discussion. As I'll stress in a moment, job losses have been particularly acute since the later 1990s – although I should also note that January was the first month in 3 years of positive job gains in the factory sector. Albeit one month does not a trend make, but that was nice to see.

The president believes – even with these realities of losses of employment in that sector – the president believes that with the right policy framework, the U.S. economy can and should have an innovative, high-value-added, forward-looking manufacturing sector producing good jobs for the American middle class. So let's start by asking what makes this sector so special.

There's a White House report that, maybe, you've seen. It was called "A Framework for Revitalizing American Manufacturing." I commend it to you. It was organized, in part, by Ron Bloom, who's the special counselor to the president on manufacturing, someone who works closely with our task force. The features of the manufacturing sector that make it so important fall into three categories: its benefits for workers, its benefits for communities and its benefits for the economy as a whole.

So let's talk about those in order; first, vis-à-vis workers. Jobs in manufacturing tend to be good jobs. The stacked bars you see in Figure 1 of the handout show both the level and the components of compensation, comparing the average in manufacturing to the average in services. This is an overall average, not a median, so it's pulled by high values, particularly in the services. But even so, you see an average in manufacturing that's about 20 percent above services, and note the components, particularly the benefit parts of the package, which tend to be far more robust in manufacturing than outside of that sector.

Now, it's better to regression-adjust such kinds of wage premiums, controlling for age, education, gender and all the rest, but if you do so, you'll find a premium that – even with those controls – it's still about 10 percent today. But it's fallen over time, that manufacturing premium. It's fallen over time, both due to the decline in union density in the sector – unions used to represent 40 percent of manufacturing workers in the early 1970s, compared to around 10 percent today – as well as the increase in international competition.

But manufacturing also supports jobs in other sectors that supply inputs to the factory sector. I remember, back at EPI, my old colleague Josh Bivens was doing nice work on the jobs multipliers from the manufacturing sector, finding that there are large such multipliers in manufacturing relative to other industries. A strong manufacturing base doesn't just support jobs, though; it supports communities. Manufacturing plants can serve as an economic anchor to entire communities and even successful economic clusters within larger regions. Just think of the auto sector in the industrial Midwest, or semiconductor and computer industries in Silicon Valley.

Not only do these large manufacturing plants and specialized clusters define the character of these regions, but research shows there's positive wage and productivity spillover effects across the entire region. By the same token, these communities that depend heavily on large manufacturing establishments – there's a downside too, of course. They suffer major upset when these plants ramp down production or, even worse, when they close. And it's not just the OEMs, the big factory at the end of the road, that are affected, here. Typically, more workers, by a factor of two or three, are hurt in the supply chain. And I know, by the way, that's something that the Apollo Alliance has thought a lot about.

But finally, manufacturing is a productivity leader and a consistent source of innovation. Output per hour in the manufacturing sector has significantly outpaced that in the rest of the economy over the past 30 years. I was actually just perusing the productivity report that came out this morning, and noticed that while nonfarm business productivity's up about 7 percent, which is already huge – it's been on a tear, lately, as GDP has risen and employment has not – but manufacturing productivity, over the past year, is up something like 15 percent, which is, you know, clearly anomalous. But that relationship, with much higher productivity in manufacturing relative to the rest of the economy, is a consistent finding.

It's also the case that manufacturing firms are responsible for 70 percent of the R&D, of the research and development undertaken by private industry in the United States. 70 percent occurs in manufacturing. So from the critical perspective of innovation, which means a lot to this president, to lose our manufacturing edge is to lose our cutting edge. So let's spend a few moments, now, examining the current state of manufacturing in America. That's some rationale as to why it matters; let's talk about the current state.

The American manufacturing sector accounted for $1.4 trillion of income in 2008, which would make it the ninth-largest economy in the world. And not only is our manufacturing output the highest in the world, as figure two in my handout shows, it's also grown faster than any other major developed country over the past 30 years. I think that's an important realization. I think there are folks who somehow view this sector as, kind of, uncompetitive internationally, or as a sector that somehow is less globally relevant than it used to be. I think if you look at the growth of value-added in that chart, you get a very different look.

Of course, one area, as I've mentioned, in which manufacturing hasn't excelled in recent decades is employment. And this is really what people are thinking about when they start eulogizing American manufacturing, and reminiscing about the days when the country still made things. In fact, in output terms, we still do. Figure three – I guess it's the last figure in the handout – shows the employment level in manufacturing along with that employment level as a share of total employment.

And they're two different pictures, right? One is just the level; the other is the level as a share. So you could have a constant level of number of jobs, but because the employment base is growing it's going to be a smaller share, and you can see precisely that dynamic. But even as manufacturing output continues to grow, from 1970 until the late ’90s, the level of employment in manufacturing basically held steady. So you had output rising, and you had steady employment as a level – though, as I mentioned, not as a share.

And the explanation for the divergence, of course, is the robust productivity growth I talked about. And that’s just simple arithmetic. You’ve got more output, a steady level of employment; that’s going to translate arithmetically into higher productivity growth. The same number of manufacture workers making more stuff.

So in that sense, folks sometimes argue that manufacturing – I hear this argument all the time – manufacturing has been a victim of its own success. The continuing growth in productivity has limited the need for more manufacturing workers, right? That’s a very conventional argument, and I’ve heard that at the highest levels of government. But there’s something qualitatively and quantitatively different about manufacturing-employment trends before and after the late ’90s. Until then, manufacturing employment wasn’t growing, but it wasn’t falling either. Right? That’s what you see in that figure.

Starting around 2000, however, the actual level of manufacturing employment started falling sharply. A part of the story here relates to the uniquely tough overall employment outcomes over the past decades. The 2001 recession was mild in GDP terms, but was tough on employment and job growth throughout the economy. Over the 2000s expansion, job growth was the weakest on record. So part of what you’re seeing there, in that less-favorable trend post-’98, is cyclical in the sense of two recessions that were very tough on employment, but structural in that even in the expansion, job growth was very weak over the whole economy.

But there’s another point to make here, and that’s a secular point that has to do with demand for our manufactured output. To explain the decline in manufacturing employment solely by citing productivity growth is to ignore the role of domestic demand for U.S. goods and, relatedly, the role of large trade deficits in goods over these years. Between 1970 and 1995, the goods deficit as a share of GDP was about 2 percent. Since then, it’s more than doubled. So yes, we are manufacturing more value added per hour, but we are also, as a nation, meeting more of our demands for manufactured goods through imports, and not offsetting that dynamic with more exports.

My boss, the vice president, likes to make this point. And interestingly, I saw the very same point just the other day on Paul Krugman’s blog. Vice President Biden often tells a story in his speeches about – you know, he rides the Amtrak all the time, up to Delaware, and he often reflects on this bridge that you can see. Interestingly, as I said, Krugman took a picture of this bridge and put it on his blog the other day. It’s a bridge, I guess, in Newark, Delaware, and it says “Newark makes what the world takes.” And it’s, kind of, a painted sign that’s really quite corroded. And the point that the vice-president and that Paul Krugman were making is that – not so much, these days.

We need robust demand for the goods we make. And by the same token, we need to make sure that we can make the goods for which there’s demand, which brings me to my last point, one much closer to the themes of today’s conference. President Obama is committed to revitalizing our manufacturing sector, ensuring it is once again a reliable source of good jobs for the middle class. What's more, his goal is to tap the natural intersection of that goal with his vision of our need to transition to a clean-energy economy and rebuild our national infrastructure.

So let's start with clean energy, something you guys know a lot about. You have to be living under a rock not to recognize the president's commitment to speeding up the shift in our economy's energy consumption from fossil fuels to clean renewables, an area where Center for American Progress has done very helpful work, and please keep it up. (Chuckles.)

Fortunately, for the manufacturing sector, clean energy is largely manufactured energy. The manufacturing content of solar and wind power, for example, is dramatically higher than that of coal or gas. This is a very important insight. On the demand side of the equation, we've had policies in place for years that encourage the installation and the use of renewable energy, like the production tax credit, the investment tax credit for wind and solar-powered and other technologies. So I mean, if you think on what we've incentivized, we've incentivized the production and the use of clean energies with tax policy.

The installed capacity of clean energy has responded. There's strong evidence that these incentives have had their intended effect as to capacity. The installed capacity of clean energy has grown dramatically in recent years. But there's been a disconnect here. Until recently, while we incentivize the use and even the production of clean energy, we were indifferent to the origins of the equipment to produce it.

The thing is, our administration believes that if we're making major investments in consuming clean energy, we should also plant the seeds of a new domestic industry here in America that will make the equipment of the clean-energy economy – make the equipment of the clean-energy economy – and that's why the recovery act included several major programs that are designed not just to encourage the use – I want to emphasize this distinction – but to encourage the manufacturing of clean-energy components right here in the good old USA.

These programs include Department of Energy loan guarantees that went to manufacturers like Cylindra (sp). It's a California maker of innovative solar panels – $2.4 billion in grants to manufacturers of advanced batteries in electric vehicles, the very boringly named 48C – advanced-energy manufacturing tax credit – boring name but great credit – which was awarded on a competitive basis and provides a 30 percent tax credit for investments in facilities to manufacture advanced energy products, again, here in the U.S.

This 48C tax credit in the recovery act was quickly oversubscribed such that there are more good, clean-energy manufacturing projects than we could help with this credit. That's why as part of his jobs package, the president has proposed to expand the 48C credit by $5 billion, which could leverage up to 15 (billion dollars). Programs like this have the potential to meet existing demand, both here and abroad, with the fruits of our highly-productive, homegrown manufacturers, and that means more good jobs.

In the same spirit, another area of great interest to the president and to the Congress is, of course, infrastructure. Now, some of our infrastructure needs are largely about repairing, rebuilding, replacing aging roads and bridges. The recovery act did a lot of that and that's big an effective source of job creation for construction workers, creating demand for manufactured goods and improving and repairing our infrastructure.

But we don't want to only create new jobs fixing yesterday's infrastructure; we want to plant the seeds for the industries that will build tomorrow's infrastructure. And that's precisely what we're trying to do with the smart grid and high-speed rail. These are, again, manufacturing-intensive industries. Investments in high-speed rail create huge demand for manufactured goods, from steel to train components to the cars themselves.

Now, many of the leaders in rail production are overseas. So for us to get a foothold here to bring the private capital in from the sidelines, we're going to need to signal a real commitment. And again, that's precisely what these initial investments do. In fact, over 30 rail manufacturers, both domestic and foreign, have agreed to establish or expand their base of operations in the United States if they're hired to build America's next generation of high-speed rail lines. That's a commitment the administration secured to help ensure that new jobs are created here at home.

And that's why the president's budget provides sustained, multi-year support for high-speed rail and creates a new infrastructure fund to support the planning and building of high-value infrastructure projects of regional and national significance. These kinds of multi-year commitments to rebuilding and modernizing our infrastructure will address major national needs while providing the sustained demand needed to keep our domestic manufacturing small.

It's policies like these that will lay the foundation for the right kind of growth as we start to emerge from this recession: growth that's sustainable rather than bubble-driven; growth that's broadly shared as opposed to just reaching the few; growth that taps the world's most productive manufacturers to make what people want and need, not what financial wizards can engineer; and growth that makes the world a safer and cleaner place. Thank you very much. (Applause.)

MR. ANGELIDES: My foot went to sleep! It was an exciting speech, my head was awake, I heard the whole thing; my foot went to sleep.

MR. BERNSTEIN: I put your foot to sleep? Sorry about that.

MR. ANGELIDES: Yeah, all the blood rushed to my head; I was so excited by what I was hearing. So let's start off with a big question – you touched on it. What's happened to the American middle class over the last four decades in terms of wages, opportunities, the ability of families to keep up?

And one of the things that struck me in the examination that I'm part of right now is trying to take a look at what really fueled the borrowing in this country. Was it families living beyond their means or was it people just trying to keep even? And what are the reasonable prospects – how big a different can a clean-energy economy here in the U.S. make? And what are the other components to trying to lift the middle class back up in this country? That was a – that'll take about 30 minutes. (Chuckles.)

MR. BERNSTEIN: Well, first of all, we actually, believe it or not, answered, I think, every one of those questions – and I'll try to summarize – in something we recently published at the middle class taskforce, our annual report, which is – you can find that at astrongmiddleclass.gov. And it's interesting because we really did, I think, tackle pretty much every question you just asked.

If you ask about the past four decades and how the middle class has done, you have to kind of divide pre-mid-'70s and post-mid-'70s. Basically, from the mid-'40s to the mid-'70s, the real growth rate of median family incomes – the middle 50th percentile that was right there in the heart of the middle class – grew in lockstep with productivity. They both grew at about 2.5 percent per year. And they both about doubled over that period.

And actually, if you look at every quintile, which you'd be interested in, given the folks you're talking to these days, you'd find that pretty much every quintile grew at about the same rate; a little bit faster at the bottom, even, than at the top. Post-mid-'70s, that trajectory changed, at least on income terms. Productivity slowed down as well. From the mid-'70s to the mid-'90s, it grew about a point more slowly, but median family income decelerated further.

Post-'95, you started to get this real gap between productivity growth, which then accelerated again, started growing kind of at its old rate. But median family income not only grew slower relative to productivity which was no sped up, it grew slower relative to inflation. And so in the 2000s, for the first business cycle on record in the 2000s, the median family actually ended up where they started. They didn't gain any ground.

And this was a period over which productivity rose 20 percent. So this notion of a middle class squeeze that's kind of I think talked about in shorthand is very much real in the data. And if you talk to President Obama or Vice President Biden about this, they will tell you in so many words that this was a very clear message to them in the course of the campaign. Pre-recession, pre-great recession, the middle class was having a lot of problems just keeping pace and their family budgets were very much squeezed even though they were working harder than ever.

The explanation for that really is a whole nother discussion. It's, you know, read "The State of Working America." It's a set of a lot of factors including bargaining power, including unions, including the loss of good quality jobs, including the pace of technology, including very high premiums to certain groups of workers versus other groups of workers, including real distortions in the financial sector which you might have heard a little something about.

So I think put it all together and a very concentrated, powerful set of dynamics have made it very touch for middle income families to claim their fair share of productivity growth. I put bargaining power pretty high up on the scale, by the way. Your final piece of your question – I think I'm doing a pretty good job of zipping through every part of that very large question. The final piece of your question was, how much promise does this stuff really have to turn off –

MR. ANGELIDES: I was thinking the next one is, how big is the universe? But you're doing just fine. (Chuckles.)

MR. BERNSTEIN: Yeah. I think it's expanding or is it contracting? I don't know. Anyway, there is – don't – it is not the case that investments in clean energy certainly in the short or medium term can turn all of this around. Manufacturing at this point is 10 percent of employment. I mean, I'm old enough to remember when it was – I don't know, maybe not twice that, but a much larger share of the economy. So even if you were to –

MR. ANGELIDES: Where was it at its peak, postwar?

MR. BERNSTEIN: I don't know. Twenty-five (25 percent).

MR. ANGELIDES: Okay.

MR. BERNSTEIN: So you know, if you were to add a couple of percentage points to that, that would be an amazing thing and that would be a matter of three or 4 million jobs. We have a 10 million job deficit right now. So this is one part of a solution, but it's a really great part of the solution because it plants the seeds of domestic production. It moves you towards the goal of clean energy production here in the United States. It has great environmental spin-offs and great security spin-offs as well. So it's the right thing to do. It's not the sole solution to everything that ails us.

MR. ANGELIDES: That's terrific. Let me talk about trade for a minute. I know that some folks have argued that no matter what we do here because of trade agreements and the WTO, we'll still see manufacturing jobs going overseas, that it's a sieve and we can't stop it. And so I guess, I want to hear your perspective on that, administration plans around that, how you see that is in this larger fabric.

MR. BERNSTEIN: The president has publicly stressed a goal of doubling exports over the next five years. And clearly if you're going to do that, you're going to be accomplishing much of that goal through manufactured goods exports. I mean, services, where we tend to have a surplus, are a very small slice of the pie.

We are committed to achieving a greater demand, which in this case means smaller trade imbalances, not through blocking imports but through promoting exports. And that, I think, is one of the implicit – maybe it should have been explicit – messages of my remarks, which, by the way, my deputy Tobin Marcus was instrumental in helping me with this. And he's always stressing this point, which is that it's a highly productive sector.

Just look at my figure two. I mean, the value added in American manufacturing is far outpacing – well, it's not far – is outpacing that of other advanced economies. This is not – this is not a sector that is incapable of doing great things. We need to create a policy climate wherein that can happen.

And again, it's not – these plans by themselves can't wholly turn the economy around. But the key to this is not – is not – I mean, obviously there have to rules of the road and the president has always emphasized the importance of fair trading practices. But the key here is meeting domestic demand in the sense – I mentioned in my remarks, particularly in clean energy and in increasing – and in tapping the productive and innovative prowess of our manufacturing sector to increase exports.

MR. ANGELIDES: Let me just press this a little. Take the clean energy sector, where obviously, China, Spain, Germany are very aggressive right now in terms of their national policies in support. I mean, what are our reasonable prospects of breaking into other markets even beyond being suppliers?

MR. BERNSTEIN: I don't think –

MR. ANGELIDES: Going back to the bridge in Delaware, in Newark.

MR. BERNSTEIN: Yeah. (Chuckles.) I don't think the game is over by any stretch of the imagination. I don't think any country has dramatic first-mover advantage here. I think there's great niches for us to fill.

Advance battery technology – let me talk about that for a second. When we began to make some inroads, our administration has invested significantly in creating the conditions for growth in the manufacturing of advanced batteries – the kind that you put in electric cars, for example. The U.S. contributed something like 2 percent to global capacity. Right now, or at least in the next few years, we expect that number to be somewhere in the neighborhood of – what is it? – around 14 or 15 percent I think.

These are comments the president – if you want to get the exact numbers, look at the comments the president made on the anniversary of the Recovery Act, which are easy to find. But I think that at this point we are contributing something like 15 percent to global capacity on track for 20, 30, 40 percent years hence. And this is over a period of the great recession, where if anything you would expect contraction there. So there are real opportunities here. And I know this president is interested in meeting them and not just talking about it but actually making the seed investments to get there.

MR. ANGELIDES: How do we – very frankly – how do we boost wages for – in this sector? I mean, how – it's one thing to build the industry; it's quite another to try to figure out how you make sure that the wages paid begin to break middle class families out of that stagnant wage pattern. And while historically, manufacturing jobs have paid more, the real question is, what's to lead us to believe that they will pay more in this sector or that we can design policies to ensure they do?

MR. BERNSTEIN: Two answers come to mind: The typical economic – economist's answer to this is more education and skill. And I will be a typical economist in a second and espouse how important that is in this sector. But I think unions have to play a role here as well.

As I mention, union density in manufacturing was 40 percent in the early ’70s. About 10 percent now.

MR. ANGELIDES: You mean, union density within the manufacturing sector.

MR. BERNSTEIN: Within the manufacturing sector.

MR. ANGELIDES: So 10 percent of the overall economy in manufacturing now and union density, 10 percent of that.

MR. BERNSTEIN: That’s right.

MR. ANGELIDES: So we’re looking at 1 percent of the American workforce as unionized in manufacturing.

MR. BERNSTEIN: In manufacturing.

MR. ANGELIDES: That’s my math.

MR. BERNSTEIN: Wow. (Laughter.)

MR. ANGELIDES: Two years of calculus did that. (Laughter.)

MR. BERNSTEIN: You know, a lot – Richard Freeman, a Harvard labor economist, has a very good analysis of this issue. And he’s talked about it in his book, something about “America Works” or “What Makes America Work” – I can’t remember the exact name, but Joel, I know you’ve done work with Richard on this point, I think.

People like to say that the reason union density is so low – 7 percent in the private sector overall, so it’s a little higher in manufacturing than the whole private sector – is because we’ve lost all these industry jobs. And that’s part of the reason. But in fact a bigger reason is the decline in unionization within the industry. So it’s not just some steady – well, obviously, my numbers tell you. It’s not just that you’ve had 40 percent unionized of a smaller slice of the overall pie. In fact, within manufacturing, you’ve seen a sharp decline in the share that are unionized.

Now, I’m not – what our administration has said is that it’s important to balance the bargaining power of the workforce by allowing people to pursue their constitutional right to bargain collectively. No one is saying anybody – (chuckles) – has to join a union or should join a union if they don’t want to. But what we are saying is that people who want to ought to have a chance.

And again, if you look at Freeman’s research, he points out that over 50 percent of the non-unionized workforce says they’d like to be represented by collective bargaining. This is results from polling data. And I don’t know if that’s the right number, but I do know that the gap between what people say they want and what exists is significant. And I also know that the – as does President Obama – that the playing field is certainly not level for those who want to bargain collectively. So in this sense, passing the Employee Free Choice Act is an important part of the answer to your question.

But I also think skills matter a ton here. I do think skills matter a lot here. Part of it is your basic K-12-plus education, but part of it is also training for workers. And we've leaned into that pretty heavily in our budget and in the Recovery Act. There's this 600 million (dollars) – $500 million for weatherization in the Department of Labor, another $100 million in, I believe, the Department of Energy for training in precisely this space. So I think both education and bargaining power play a role in raising wages.

MR. ANGELIDES: Terrific. Great. Let's do this: Let's see if there are a couple questions from the audience. You've had a long day. But are there are couple questions for Jared while you got him? This is an extraordinary opportunity. Let's go over here and you could identify yourself? Stand and identify yourself.

Q: Andrew Isle (sp), consultant for the International Finance Corporation. In President Obama's recent State of the Union speech, he announced a freeze on a lot of discretionary spending over the coming years. And given the need to make additional down payments, so to speak, like the Recovery Act, on 21st century infrastructure and manufacturing base, how can the administration square that circle?

MR. BERNSTEIN: Good question. Because it's not an across-the-board freeze. It's a freeze on, first of all, non-security discretionary spending – so non-defense/security spending. But it's a freeze that starts in 2011. It's a freeze wherein every single thing I've talked about today can be funded. There's nothing I – I'm thinking back on my comments – Tobin (sp), correct me if I'm wrong – everything I've mentioned today can be supported in the context of that freeze, because it's not an across-the-board freeze.

And I think people don't get this. I had a knock-down, drag-out with Rachel Maddow a couple of weeks ago on this point. People think that it must be across the board, everything gets cut 3 or 4 percent. That's not what it is. We need to comb through the budget and squeeze the stuff that – and frankly, doesn't contribute to the jobs agenda.

MR. ANGELIDES: Well, this is important, just as a person who's obviously engaged civically – so the freeze is across the whole non-entitlement, non-security budget; not each item?

MR. BERNSTEIN: Correct. It's not an across-the-board freeze. It's something that you comb through and you –

MR. ANGELIDES: All right, let's go – yes?

Q: Hi, Scott Bernstein, Center for Neighborhood Technology. On the idea of a jobs-first sort of screen that you were just alluding to, it seemed like there were some lessons from the recovery act. Some things did actually work better than others. In transportation, the transit money seemed to have been more productive, in terms of jobs supported and created.

On the energy front, place-based energy initiatives worked a lot better than statewide initiatives. So how are lessons like that, or are lessons like that getting taken into account as you move forward on trying to implement the overall strategy, both of the middle-class taskforce and of the administration? Thanks.

MR. BERNSTEIN: Well, I think the – there is an arc to the implementation of the recovery act. Spending on projects, for example, takes a couple of different formats. First, whether it's 48C, whether it's the Department of Energy loan programs or the various – or it's the small business lending programs, it's not a blanket thing, like you're sending F-MAP (ph) checks to the state or changing withholding tables for the Making Work Pay tax cuts.

This is a matter of evaluating applications and deciding which projects look, to us, like it will have the most bang for the buck, in terms of job growth. And in the case of much of what we're talking today – in terms of clean energy and generating renewables. And I would say year two is much more about ramp-up in those programs, whereas year one was more about evaluating them.

So for example, the actual spending on projects grows by over 100 percent in year two versus year one. So you see a lot more spending on infrastructure projects and on the kind of projects we talked today about. At the same time – and let me mention something about the state spending – the state spending ahs been one of the most effective and quickest ways to get medicine into the system. There are well over 300,000 education workers whose jobs have been saved or retained – probably mostly retained – through helping states deal with their fiscal constraints right now. So those will continue, and they're important, too. But the balance shifts a little in year two.

MR. ANGELIDES: All right. We're going to take one more question, I've been told by Cathy, just so you can wrap up on time. Oh, so hard –

MR. BERNSTEIN: Why don't you take both of them and I'll be very quick?

MR. ANGELIDES: Okay. Well, there's actually three.

MR. BERNSTEIN: Somebody loses.

MR. ANGELIDES: That's it. Three hands up – 30-second questions.

MR. BERNSTEIN: Yeah, quick question.

Q: I won the lottery. Okay, Joel Yutkin, High Road Strategies, in Arlington. This is kind of more of a technical question, but it has a larger meaning. Most of what you say, I agree with and I'm glad you're emphasizing the importance of manufacturing. But I was looking at your value-added figures, and I've worked some of those numbers myself.

And I know that one industry, in particular – one large sector, computers and electronics – accounts for the largest share of that value-added. And if you take that away, you really see most of the other industry sectors, with a couple of exceptions, really actually slowing down or declining in value-added, overall.

And so what worries me about what you're saying – I think we still create a lot of value. I think those numbers actually reflect, you know, quality adjustment, which is a technical term, in terms of, that you're getting more for the dollar and trading better electronic products than we did 10 years ago. But it sort of takes away from the urgency of the situation.

MR. BERNSTEIN: So time – I'm going to –

Q: Yeah, I just wanted to kind of ask.

MR. BERNSTEIN: It's a great point. Let me say quickly about it – we have 30 seconds so, you know, this is the lightning round.

MR. ANGELIDES: You've got 26. (Laughter.)

MR. BERNSTEIN: all right. Well, can we go over a minute or two? The – I'm having fun getting out of the bubble here –

MR. : This is out of the bubble? (Laughter.)

MR. BERNSTEIN: Imagine that.

MR. ANGELIDES: We'll take you to the outer bubble next time – (laughter) – slowly weaning you.

MR. BERNSTEIN: Yeah, please, slow. The – look, one of the things I cited in my talk was precisely the innovation in the electronics sector. And so I agree with you. If you take that out of the picture, it looks very different. But that, in many ways, is an example of the kind of productive, innovative investment where government has certainly played a key role as it has grabbed some, I think, early, first-mover advantage there. And so my argument would be that, that's an example of the way forward. And I think we need to learn lessons from advances we've made in electronics and apply them to energy.

MR. ANGELIDES: Okay, very quickly, quick question.

Q: Hey, Jared, Andy Levin, State of Michigan. Good to see you. So the Workforce Investment Act is up for reauthorization, and the administration and Congress are talking about it. The discussion is mostly about, sort of, tweaks and nothing very fundamental. You've got TANF, which is also up for reauthorization, and the Trade and Globalization Adjustment Assistance Act, which was given one year of life.

And the vocational education system – my question is, does the administration have an appetite for taking a more fundamental look at creating a workforce system that's adequate to the 21st century and aligning the – you know, what the Education Department and the Labor Department and HHS do so that we really adequately prepare workers from adult basic education through graduate school. And you know, there's a lot to it, but we need a bigger-vision approach than what we've got so far.

MR. BERNSTEIN: I understand, and I agree. And there's tremendous opportunity for consolidation and much more holistic thinking. The folks who have, I think, been really thinking very smartly about that over at the administration are those at the DPC – the Domestic Policy Council. You know, CeCe (sp) Rouse on the Council of Economic Advisors, Melody Barnes, Martha Coven – they've been thinking precisely along those lines. So in the interest of staying within 30 seconds, the answer is yes, and we've got good people thinking about that.

MR. ANGELIDES: All right, the final question, which, when you're running a campaign, is always the most dangerous one. (Laughter.)

Q: Hi, thanks. Tim Gardner at Reuters. The idea of a carbon – of a fee on motor fuels linked to the carbon price has been put out there in recent weeks for the carbon bill. And I just wondered if you see some kind of fee on motor fuels ever being a way to improve the green economy or the overall economy?

MR. BERNSTEIN: It's really a whole different discussion that's not a part of this one. Certainly, the president has consistently talked about the need to price carbon in the interest of creating the kinds of incentives I alluded to in my talk, but also to address the environmental dangers that he, and I would argue the scientific community, take extremely seriously. He's talked about cap-and-trade since the campaign, obviously. So I'm not going to speak about any specifics – that's a different conversation. But I think the president has been very consistent on that point.

MR. ANGELIDES: All right. Well, thank you all very, very much. Jared, thanks for taking time out to come. (Applause.) You were terrific. Thank you all. And then, Cathy, is that it? Everyone's adjourned.

(END)