

Center for American Progress



IN COOPERATION WITH DEMOS PRESENTS:

**“MAKING INEQUALITY MATTER: HOW TO TALK
ABOUT AMERICA’S GROWING ECONOMIC DIVIDE”**

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**12:30 PM – 2:00 PM
MONDAY, JANUARY 30, 2006**

**TRANSCRIPT PROVIDED BY
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DEREK DOUGLAS: We're all set to begin now. Good afternoon, everybody, and thank you for coming with us and joining us today. My name is Derek Douglas and I'm the associate director for economic policy at the Center for American Progress. At the Center, I also direct the work that we do on economical mobility and opportunity. On behalf of the Center for American Progress and our cosponsor for this event, Demos, I would like to welcome you to the program entitled, "Making Inequality Matter: How to Talk About America's Growing Economic Divide."

Before we begin, I just want to take care of a couple of small housekeeping matters. First, if you could all please turn off or put to vibrate your cell phones and pagers, so there're no interruptions during the program.

Secondly, you should have received a packet on your chairs. In the packet there's some information about the Center as well as the economic policy program's work in economic mobility and opportunity issues. In particular, I want to highlight a paper that was prepared by our senior economist, Christian Weller, on the middle-class squeeze, which talks about some of the economic struggles middle-class families are facing.

Also in there you'll see a document that previews some of the upcoming events that we in the economic policy program will be having that relate to issues of mobility, opportunity, and equality. And so this event is really the first of many that we planned for this year, so we hope that you will stay tuned and keep an eye on some of the upcoming programs that we have on these issues.

Tomorrow, the president will deliver the State of the Union address where he will set out his priorities for the nation. Although predicting what the president will talk about in the State of the Union can be somewhat of a mystery, if history is any guide there's one thing we can be sure about: the growing economic divide in America will get no mention. The seeming lack of concern about the economic divide in America is not limited to any one individual or party. With the notable exception of Senator John Edwards, whose Two Americas message propelled him into contention in 2004, few politicians on either side of the aisle have made the issue of economic inequality a centerpiece of their political agendas. Indeed, even when a window for talking about the issues appears to open, as many thought occurred when the tragedy in the Gulf Coast hit with Hurricane Katrina, that window seems to close almost as fast, as columnists like E. J. Dionne and others have commented.

If there is a lack of attention to issues of economic inequality, it is certainly not due to a lack of evidence. Numerous studies have shown that the economic divide in the United States has widened dramatically since the 1970s. This is true both at the national level and the state level. As a recent report by EPI in the Center on Budget and Policy Priorities showed, income inequality increased in 38 states since the early 1980s between the top and the bottom groups of income earners, and in 39 states between the top and the

middle income groups of income earners. Moreover, this gap is not just growing along income lines, but also other dimensions such as health, education, and political participation.

So why don't we hear more about the issue of economic inequality from our politicians on the campaign trail or read more about it in our newspapers? Is it that there's a disconnect in the message? Polls do show that Americans often overestimate their position on the economic ladder or assess their economic situation based on their aspiration of where they hope to be, rather than where they are at the moment. Does the attritional inequality message adequately take that into account?

What about the messenger? Many of the people who are running for office are in the top of the income ladder themselves. Thus, while a Two Americas framework may work for someone with Senator John Edwards' or President Clinton's background, it might be a tougher sell for someone with Senator Kerry's background. Or is it simply an issue of courage? After all, couldn't the success that was achieved through the Two Americas narrative be viewed as evidence that the message does resonate when politicians have the political will to talk about it? It is questions like these that were the impetus for today's program, and it is our hope that today's event will help us think through some of the answers.

We are fortunate to have a terrific panel assembled for you today, and they're going to help us sort this stuff out. First, I want to thank each of the panelists on behalf of the Center for American Progress and Demos for taking time out of their busy schedules to be with us today. Their full bios are in your packets of materials, so I won't repeat them here, but I will just run through a little bit of information on each. And I'm going to mention them in the order in which they will present.

First, Miles Rapoport, who is the president of Demos. He's with us here today. And he's not on the program, but he's going to share a few words about Demos's recently released book, *Inequality Matters: The Growing Economic Divide in America and Its Poisonous Consequences*. It's an edited work with an impressive group of contributing writers, including a chapter by one of the scholars here at the Center, Christian Weller. Copies of the book also will be available for sale at the end of the program, I believe.

Following Miles' brief remarks, we're going to go straight to the presentations. Our first speaker will be Jim Lardner, who was a senior fellow at Demos, and the co-editor and co-author of Demos's new book, *Inequality Matters*.

Jim will be followed by Celinda Lake, the president of Lake Research Partners, and one of the leading political strategists and pollsters in the country.

Our third speaker is Dave, or as most people know him, "Mudcat" Saunders. Mudcat is a long-time veteran of rural politics who is famous for his colorful, no-sacred-ground, tell-it-like-it-is approach to the problems of rural America, which I expect he's

going to give us today. And he also is a business partner with Steve Jarding and was credited with helping Mark Warner win the governorship in Virginia in 2001, among other accomplishments he's had as a political consultant.

After Mudcat, we'll hear from renowned columnist and blogger Mickey Kaus. Mickey is the publisher of *kausfiles* blog on Slate. In 1992, he wrote the award-winning book, *The End of Equality*, which offers though-provoking views on how to pursue the traditional American ideal of social equality when incomes are growing inexorably more unequal.

Finally, we will hear from Robert Franklin, the presidential distinguished professor of social ethics at the Candler School of Theology at Emory University. Professor Franklin is the author of several books on social justice issues and is also a contributing writer in Demos's new book, *Inequality Matters*. I've asked each of the panelists to give brief remarks. After that, we will engage in a question-and-answer period.

With that, I'll turn it over to Miles Rapoport. Miles?

MILES RAPOPORT: Let me thank Derek for all the work that he's put in and I'm delighted on behalf of Demos to share today's effort with the Center for American Progress. We see the Center as a real partner for Demos, and playing a critical role here in Washington on at least two things that matter a lot, the first being to push back on a day-to-day basis against the priorities and policies that are setting back America's working families, and secondly – even a larger realm – to challenge the reigning assumptions of our current state of affairs, perhaps our current state of the union, if you will, today. And that's the task that Demos is attempting, also, to add our voice to so that we can on a number of counts in the problematical situation in which we find ourselves push back, challenge assumptions, tell a new story in a way about American reality that I think can lead to a different set of politics as we go into the future.

Demos is a policy research and advocacy center. We're five years old. We're based in New York City working on three major areas. And in each of them attempting at least as part of what we do to challenge those reigning assumptions. One of our focuses is to expand political and democratic participation. We think that it's fabulous that the United States is exporting democracy and touting us as a democratic example, but it's also important for us to live that dream and to make our democracy as inclusive and as vibrant as we can, so Demos has been very involved in trying to change the – lower the barriers to participation, expand people's access to the process to make a democracy is one that we can truly be proud of.

Secondly, Demos is attempting to work on reclaiming a proper role for the public sector in our public dialogue. We have in this country a set of public structures that have been created to help both businesses and individuals to succeed. Those structures are under threat in a variety of ways, but not the least of which is from a 30-year assault on

the proper role of the public sector and the belief that government can, in fact, play an important role in solving people's social problems.

But nowhere is it more critical in our third area to challenge the reigning assumptions than in the area of economic opportunity. We have a story in this country that has arisen that every individual is responsible for their own well-being, that our economy is doing just fine by certain kinds of numbers when, in fact, we have a middle class that is in deep jeopardy, where it is harder and harder for people to get into it if you're not into it, harder and harder to stay into it if you are in it.

We have a vast and increasing amount of personal debt that people and families are carrying. Hundreds of billions of dollars of equity has been removed from people's homes, credit card debt has decreased to dramatic proportions, and our younger generation is being saddled with a future more debt ridden than opportunity ridden each and every day.

The last kind of myth that we live by is that America is a society of equal opportunity. In fact, if you look at our contribution, which I know is the subject of today's talk, to the discussion of inequality and equality, you will find that, in fact, as Demos fellow Jim Lardner and the other contributors of the book have terrifically pointed out, we are less equal, less socially mobile than the European aristocracies that Tocqueville said we represented such a break from. That's a real problem for us. It's an issue that needs to be talked about.

Derek is certainly right. It's probably not something you'll hear tomorrow in the president's State of the Union address, but all the more reason that they ought to hear it from us.

So I am delighted on Demos's behalf to be part of today's discussion. I look forward to it. And let me see to Jim, who did a fabulous job, along with senior fellow David Smith, who some of you may know, who are the two coeditors of this. And I'm delighted also to see my board member Robert Franklin here. Thank you for coming up.

Jim, to you.

JIM LARDNER: Thank you, Miles. Thank you, Derek. Is this working? Inequality and poverty: they are not the same. Poverty is an individual or family condition. It means not earning enough to afford the basic necessities of life, so if you can agree on what the basic necessities are, then you can decide whether someone is poor or not, and you can say how many Americans are poor. You can say what percent of the population is poor, and that's what these two lines on this graph say about the United States from 1959 until 2003: millions of Americans living in poverty. That's the upper line – percent of the population living in poverty, that's the lower line.

Poverty is an absolute condition; inequality is relative, how much do some people make or have in relation to others. These lines show the median family income for

different segments of the population from the highest earning 5 percent to the lowest earning 20 percent, and you see it from 1947 until about 1980 proportional income gains up and down the economic ladder. No big change in inequality. There was plenty of it before. There was plenty of it at the end of that period, but not much change.

Then the lines fan out, those at the top gaining much faster than others. Inequality is a bit of a messy word. I have not had an opportunity to ask Celinda Lake this, so I may discover that I'm inaccurate, but I've been told that pollsters don't use the word much, and that when they want to get at this question – find out how people feel about it – they often use the old proverb, “The rich get richer; the poor get poorer.” And that is a description – a fair description of what was happening through much of the 1980s. It is not a good description of what's been happening over this whole period. The overall pattern is more one of the rich pulling away from everyone else.

The top 1 percent of Americans now make more money than the bottom 40 percent. That's roughly three million people out earning \$110 million. Wealth is even more concentrated than income. The 20 percent of the population owns 84 percent of the private assets, leaving the other 80 percent of the population with 15-some percent of the assets. Of course, the stock market changes these calculations somewhat sharply from year to year.

Either way, wealth or income, America is more unequal than it is been in a very long time and more unequal than any of the other nations of the developed world. We're not quite up there or down there with Russia or Mexico, which we added onto this list just for additional context. The rest of the countries are all rich countries, but we've been moving that way in recent years.

Now, another difference between poverty and inequality is everyone agrees that poverty is bad and that something should be done about it. There is no such consensus about inequality and its sharp increase. Some people decry it. Some say it's a nonissue. Why worry about truly relative differences, they ask, when by history's standards Americans up and down the ladder have so much? So it's my job to answer that question. And I'm missing one of my slides. I don't know why. My job is to answer that question, to talk about why we might worry, why we might want to talk about inequality before we get into the how.

I will draw on our book, which is in part an attempt after all these years to pause and take stock of the effects of growing economic inequality in America. And the first thing to say is, they are far reaching. They're all over the place.

Higher education, for example. Forty years ago, Congress passed the Higher Education Act. The administration of Lyndon Johnson and the administration of Richard Nixon and Congress, successive Congresses, joined forced in an attempt to reduce the class divide in higher education through a system of grants and loans largely. It worked for a while, but in more recent years, tuitions have soared. The maximum grant has shrunk to a drop lid of what it costs to attend a four-year college. Financial aid is used

increasingly at the state level and at the private institutional level is used increasingly to compete for a pool of top applicants, whether they need the financial assistance or not. The results of all these things and the result of growing economic inequality is that the gap between – the enrollment gap between low and high-income Americans is actually as wide as it was in 1965, despite the vastly increased numbers at all levels of Americans going to college, and it's getting wider. And that is despite the fact that, as everyone knows, the economic value of a college degree has increased dramatically.

If you stop and think, a number of the big policy initiatives and debates of recent years in higher education, healthcare, campaign finance – I could cite more examples – have been attempts to carve out sanctuaries, to draw lines in the sand and to say to the power of concentrated wealth, “This far you may go and no farther.” And if you stop to think in one area after another, this is proved very, very hard to do.

So one answer to the question, why talk about growing inequality, is that if we don't the policy conversations we have may be diluted and incomplete, and the policy proposals we come up with may self-destruct or fail to achieve what we struggle to achieve.

We can come up with all kinds of responses to the problem of the uninsured, for example, but they won't be satisfactory responses unless we see the lack or loss of health insurance as one aspect of something bigger: the fact that in healthcare, as in higher education, market pressures lead America to devote immense resources to the needs of a well-heeled comparative few, while others face skyrocketing costs that they are increasingly expected to pay out of their own pockets.

Inequality's effects in some areas are fairly obvious and readily apparent; not so in all areas. This is from a chapter by the Cornell economist Bob Frank. He looks at two towns, which are similar in size, similar in median income and in some other ways, and there're radically different median housing prices. Danville, Indiana, the median home, \$131,000. Mt. Vernon, Illinois, \$62,000. He says that the explanation for this becomes much clearer when you add one piece of data, and that's the piece of data in red here which is, how much income is somewhat at the 95th percentile in each of these communities earning? And in Danville, it's much higher. It's \$141,000 compared to 83. In other words, Danville is a much more unequal town than Mt. Vernon, Illinois. And Bob Frank and his crew have looked at towns and counties all over the country and have found that inequality is an excellent predictor of housing prices. It's also an excellent predictor, he says, of some other things like bankruptcy rates and divorce, but we will move on.

America as a whole, you can say, has been running an experiment to test the effects of inequality on the housing market, and you know what the results are in America as a whole. These stories begin to suggest why inequality beyond a certain level undermines the ideal of opportunity. We don't necessarily all agree on what the founders meant by all men created equal, but I think there is wide agreement in America that it meant at least that they were setting us on a path that led away from a world of inherited

privilege toward a world where everyone would get a fair shake regardless of background, regardless of family resources.

And our commitment to this ideal was reinforced very powerfully in the postwar era when the civil rights revolution opened doors for African-Americans, women, and others, and the gap between rich and poor actually narrowed giving millions of Americans a chance to climb out of poverty into a middle class that was the envy of the world.

Some say that a more unequal America is merely one with the good sense to reward invention and enterprise properly, to create incentives that will mean that those at the bottom can rise higher than ever, but the evidence tells a different story. Opportunity or mobility is a tricky thing to measure, but most experts agree that there is less of it in the United States than there was two or three decades ago, and less of it in America than in much of what we used to think of as the class-ridden, old world.

I think there are good reasons, logical reasons why inequality above a certain level undermines inequality, but I'm just going to rely on the statistical evidence now that this period of rising inequality has been one of declining mobility, and that's something that both *The New York Times* series on class and *The Wall Street Journal* series on mobility affirmed. It's getting to be a pretty agreed-upon judgment. And getting ahead has become a more difficult proposition for groups, as well as individuals.

So my time is up, which doesn't give me much time to – at all. It gives me no time, but it allows me to say one thing about time, which is that the effect – this is not just a bread-and-butter issue. It reaches out beyond the realm that is captured by dollars, by incomes. If higher education is more expensive – much more expensive and people are required to pay for it out of their own pockets, the same with healthcare – if these things are not fully reckoned in our definition of poverty, the poverty line, or our definition of – I mean, if income statistics don't show that, people work – people will do whatever it takes to afford a college education or to afford healthcare. Many people will. And the result is we are working longer than we have, working longer than most other countries. We are borrowing more, and that's why this is an issue for the middle class as well as for “the poor.” So I have to flick forward to allow you, Celinda, to start.

DAVE SAUNDERS: I'll give you three minutes of mine to finish.

MR. LARDNER: Excuse me?

MR. SAUNDERS: I'll give you three minutes of mine to finish.

MR. LARDNER: Mudcat is giving me three minutes. Another reason to say that – another reason to talk about this issue is that we in America are under the grip of the idea that these things are determined by the free market, by deep, impersonal forces; that this is just something that happens to us. The free market is a very powerful idea;

more powerful now than ever before, more powerful in America perhaps than anywhere else.

And so some people say you shouldn't talk about growing inequality because it's something we can't do anything about, but I'd say that the free market idea is a powerful reason why we should talk about it because it's a paralyzing idea. It's a paralyzing view of the world. It's been paralyzing to our political debate. And the inequality story actually gives us a way of escaping from the shackles of this free market notion. It suggests, because we don't see inequality increasing in other countries which face the same forces – technology, globalization – as we do, in some countries inequality has increased, but in quite a – most – there's no broad pattern in which the United States is similar to all countries. That suggests that we should look not to our stars, but to ourselves. We should look at culture. We should look at politics. We should look at the mindset that we inherited from the Cold War when, in fact, the idea of a free market versus a controlled market mirrored global reality. And we should realize a lot of things that are not free about the so-called free market.

We should realize that if those things – that all markets, all functioning markets absolutely depend on rules, institutions, enforcement mechanisms, and that if you change them, the results change and we've changed them in a big way in recent years. Corporate income taxes and the whole balance of taxes is one example. Corporations pay less. The middle class pays more. The one tax that has never been cut is the Social Security tax. We have what you might call a whole new economic rule book.

And we think of ourselves as a meritocracy, but we should remember that in any kind of society, including ours, great wealth can be great power. Great power can be used to create a system in which the wealthy can hold onto what they have or wealthy interests or corporations can hold onto what they have and expand it from year to year and generation to generation. This is a liberating notion to realize that the free market – there is no free market any more than there's a free lunch and that we are not up against deep impersonal forces that are beyond our control. However, we have to recognize that all the institutions through which we might expect to get a clearer view of what's going on have themselves been transformed by growing economic inequality and that includes, of course, the institutions of American democracies about which Miles spoke.

And I'm just going to say that if you're feeling despair because the political process and other aspects of the situations seem so beyond change, reflect on all those societies which in our lifetimes have – where people have cried out, where change has occurred despite far more daunting circumstances, like South Africa and Eastern Europe, and so the last reason to speak about this issue is to regain our sense of hope.

CELINDA LAKE: Thank you very much. Well, I want to thank very much CAP and Demos for putting on this forum. I think it's a very, very important one and raises very provocative questions. I also would really encourage everyone to get the book. It is a very accessible read, a very enjoyable read, and also I think raises a lot of provocative information in terms of new frames and new values.

Let me share with you four basic points, and then show you some data to back it up. First of all, inequality does matter to Americans, but less when framed as poverty than when framed as the middle class. And it's important to remember that even poor people don't like to be called poor in this country, and that people – really 85 percent of Americans see themselves as the middle class, although Americans universally believe that the middle class is if not disappearing, certainly dramatically declining.

Secondly, our dialogue is very often about groups and, of course, our country is based on individuals. And for those of who are political scientists, there's a reason that people call this a democracy based on Locke and not a democracy based on Rousseau. And our dialogue doesn't find the individual enough, but I will show you some very dramatic data that when you put freedom up against inequality, people overwhelmingly choose freedom as the more important value to them, so we need to find the individual.

Thirdly, and I think the book and Demos and what CAP do and everybody on this panel have done – it's very, very important – is that we need to think of new frames. We need to think of value-based narratives. And we need to understand that many of the values that we cherish very dearly, and have established our identity with, are not shared equally by the public. We need to think about how to use – and Jim was talking about it – that language of opportunity, which is very, very strong, and in fact equal opportunity tests much better, by the way, than dealing with inequality.

We need to think about some language, and I'll show you some testing that we did around mutual responsibility. Responsibility: a very, very strong word and rarely associated with the individual – with the progressive side of this debate.

And finally I would say, and Jim referred to it also, that this debate will be more powerful right now in the current environment if we talk about it not so much in where we're at because people still think they're holding on by their – maybe the skin of their teeth, but they're holding on, but rather where we're headed, because people are actually very, very sober about where we're headed. And what's interesting about America, of course, is that you're supposed to – this is a country where you put up with all the shit in this life and you work those two or three jobs or whatever so your kids will be better off. So people are used to thinking they're supposed to take a lot of pain in this life. They don't have a model for understanding this country where today is better than tomorrow. That is a fundamental violation of what America is supposed to be about.

Tomorrow is supposed to be better than today. And I think that if we want to create real urgency, ironically they won't be trying to hound Americans about where they are today. They will be alerting them to where they're headed tomorrow. So let me show you some data in that direction.

First of all, Americans see the country solidly going in the wrong direction, solidly in the mood for change, and so there is certainly a big component of being able to talk about change. People also think that the two top problems there are the economy and

war. It's hard to get other things on the agenda because of the way these two problems are pushing everything else out.

People disapprove of the job that the president is doing. They also disapprove of the job that Congress is doing. And I know that Demos has done – and CAP have both done an enormous amount of work on the role of government, but let me just leave you with one thought, which is that we've had very, very sinister developments in terms of the learning of the public. The combination of Katrina and Medicare D has really convinced the public that the government can't run a one-car funeral.

And even people that used to be pretty supportive of roles for government, like senior citizens, now think the government is especially incompetent right now, so there is a challenge here in terms of defining that role for government, even though we're in a time that is very big government and a time that frankly it's not particularly anti-government. But people think the government really doesn't get very much done and what it does do, it doesn't do very well.

What Derek asked us to look at is equality and equality as a core value and a component of the American dream. And by the way, anything that has to do with the American dream right now is testing very, very strongly, because people are worried that it may be in jeopardy. And we tested language like America can do better and language like that, which tests well, but restoring the American dream tested even more strongly. People think overwhelmingly that the American dream is in jeopardy.

People do support equality and they say that it is a major definition of their personal values. Eighty-eight percent say it's a major definition. They like equality of opportunity even better. People in this country do not want equality of results; they want equality of opportunity. And I think Jim's analysis is just fantastic in this book, but if I had one thing to do, I would reorganize it so that it talks less about equality of outcome, because Americans say, hey, we want to give you a good start and then you end up where you end up, but equality of opportunity and equality of that chance to get that start – very, very powerful themes, still, in this country.

People also say, though, when you pose freedom against equality, 73 percent of Americans say freedom is more important to them than equality. Now, this is at a time, too, by the way, before we get really carried off and go to the next seminar on the Patriot Act and domestic spying where Americans – the majority of Americans are willing to give up some freedom to protect against terrorism. So ironically, even at a time when freedom is being somewhat curtailed, people are saying freedom is more important to them than equality.

And one of the things that's very, very important to Americans is the individual. And often our dialogue sounds like we want to move whole groups of people, rather than allow individuals to get ahead. And that's an important piece to try to figure out: how we have room for the individual. And I assure you, tomorrow night you will hear a lot about individuals getting ahead, individuals being able to spend their own healthcare dollars the

best, individuals being able to spend their own tax dollars the best. They will drive, drive that value, as they have done for literally 25 years.

The public does recognize that racial inequality still exists, but they are very, very reluctant to apply that paradigm to a number of problems. People think, for example, that – a majority of Americans think that racial minorities have equal job opportunities, for example. Now, it's a thin majority, but nevertheless the majority. Not surprisingly, there's a big difference by race here, and this is data among voters, which is why you don't – the overall number isn't lower than it is. But people think in general that – whites in general think that – only a quarter of whites think that race is a major reason for inequality in our country.

People also think that America has made progress in terms of race, and people don't like revisiting things when they think that there has been progress. And unfortunately, Katrina did not add much to this dialogue, and certainly the post – we could have a whole symposium on the post-Katrina environment and how that may or may not have worked to actually promote a constructive dialogue in this country on race. But it is certainly true that people very quickly got off any kind of analysis that Katrina was due to race and the patterns of Katrina were due to race.

And when we try to test that, even as recently as a couple of weeks ago, in focus groups, people said – white people said, “Well, hey, it was an African-American mayor. It was a black mayor. It was just incompetence. It was corruption. It had nothing to do with race. A black mayor couldn't get black people out of New Orleans.” And so people have really settled back into actually kind of a mean-spirited assessment here. Far from Katrina promoting very much, if anything Katrina is backfiring a little bit.

And you may have heard the NPR story today, which was excellent in the polling data, where people who welcomed once Katrina people keep to their neighborhoods and to their cities now want them to go back, now say, “Well, it's the crime rates. They don't fit in. They don't dress the same. They don't speak the same. We want them to go home now. Enough is enough. We've been generous for five minutes. That's plenty, and get back on your own.”

People thought overwhelmingly even closer to the event that Katrina was not an indication of racial inequality. There was quite a bit of pushback. And even among people of color, Latinas overwhelmingly thinking that it was not an indication of racial inequality; even African-Americans fairly divided.

One of the most powerful pieces of the book I found doing electoral politics is the discussion of how economic inequality is making our democracy very unequal and it's a very, very sobering conversation. Unfortunately, Americans don't buy it. Americans really have difficulty attaching the inequality that they do see emerging somewhat to our political system.

Well, so how are we going to talk about this if people are dicey a bit on the inequality dialogue and not – and definitely mixed on the racial dialogue? Well, as Jim predicted, the gap between rich and poor is one way in which we talk about it, and people do overwhelmingly think that there is a gap between rich and poor, that it is a very big gap, and that it is getting bigger all the time, but their sentiment is actually not with the poor. In fact, people think there's plenty of help for the rich. There's plenty of help for the poor. There's nothing for the middle class in between. And their sentiment here is for middle class and working families. And it's one of the reasons why you see this tremendous energy around minimum wage issues across the country, because people feel like it will reward work, and it will help the people that are falling out of the working class into poverty even though they're working full time.

If you ask people what bothers them about economics, notice poverty, hunger, homelessness – even when we add it all together, we can't get more than 3 percent of the people saying that's their number one concern. Unemployment, jobs, wages, fuel and oil prices, healthcare, insurance – that's what tops the agenda, and those are working and middle class concerns. They are not perceived to be solely the concerns of the poor.

People say they are worried about growing economic inequality and they would say even more intensely that they are worried about the declining middle class. The intensity on that is about 20 points higher than their concern about growing inequality.

People are still marginally positive about their personal finances, but frankly these are not very good numbers. Now, these are numbers among voters, number one, which tends to take a more affluent half of the population. And notice, only 6 percent of people think they're in excellent shape, 56 percent say they're in good or excellent shape, 44 percent say they're not good or poor shape. America is feeling pretty dicey about its own finances.

But this is the most important slide that I'm going to show you. This is a dramatic turnaround. This is asking people to think that the next generation will be better off, worse off, or about the same as your personal economic situation is right now. Only 18 percent say better off; 52 percent say worse off, and 26 percent say the same, which given that people weren't feeling that hot, the same is not very good.

But here is the most dramatic division. This is the first time in literally decades we've had college-educated America united with non-college-educated America in terms of being worried about this. Non-college-educated America has for some time been worried about their kids. The college-educated America thought that they could protect their kids. They could buy their way out of the problem, basically. Now college-educated America is as worried as non-college-educated America and provides room for really a tremendous dialogue – a powerful dialogue about the future.

People also divide a lot about Americans always divide between wanting to fix the system and wanting to fix the individual, and I'll give you two dramatic examples from public policy debates. You remember the HMO debates where people heard all

these personal stories on television about people who couldn't get insurance from their HMO? People concluded those were good people that were behaving just the way they should have, and they wanted to fix the system.

You had also the welfare reform debate or so-called reform debate, and there were many personal stories about how people would be hurt by some of those welfare measures. People said there not that they wanted to fix the system. They wanted to fix the people. And about half the time when we test personal stories, we find that people don't conclude you want to fix the system. They conclude it's the person's fault. They should have gotten education. They made crappy decisions. They had kids they can't afford. They should have gotten an education and stayed in school. So Americans are very judgmental, if you will.

Here you see there is also a kind of an economic perspective to this. There's a class (unintelligible) that's emerging about fixing the individual versus fixing the system, and you can see here people below poverty, and 100 to 200 percent of poverty want to fix the system. People that are above 200 percent of poverty – most of the voters out there – are divided in thinking about whether we fix the individual or fix the system.

People do believe that the wealthy are not paying their fair share, but we could easily be seduced by these numbers. Notice this is saying more than \$200,000 and these things only test well actually when we test 1 percent – the top 1 percent or \$200,000, particularly when progressives are in charge. We asked people where do you want to put – where would you cut off that wealthy, and people said \$100,000 income. Then we asked people if the Democrats were in charge where would you like to cut off wealthy? They said \$200,000; they might come down and catch me if I don't set it high enough, so there's a real suspicion, particularly when the progressives talk about, well, what do you mean by "wealthy"? If you mean me, I'm not wealthy. I'm barely making it.

People also favor making permanent the Bush tax cuts, even though they don't think they got very much from them, and rollbacks just absolutely negatively. Rolling back the tax cuts? People don't really understand what the "rollback" word means, and they think, well, that must mean I'm going to have to refund. I'm going to have to pay back my tax refund, and I don't have that money anymore, so forget that. No rollback. So this whole tax dialogue including the wealthy can be very seductive, but when you look underneath, it's a softer dialogue than one might imagine.

What are some new opportunities there, before the room just gets completely collectively demoralized? Well, one thing we tested was mutual opportunity society versus the ownership society, and we applied this to a number of debates. I'm just showing you the budget debate here. This is polling data where the two parties are basically equal, and mutual opportunity society beat ownership society by 23 points. People are nervous about being out on their own, and they like the idea of providing opportunity for everyone.

Here are some of the – in an ownership society is those who have, those who make, those who have what they have, and the guy on the bottom, sorry, but you fell on the bottom rung of the ladder and that's what you've got – not very eloquent, but very picturesque. And about mutual opportunity, we're all working toward this common thing: everyone pays, everyone receives.

Another dialogue that had some financial is obviously talking about the growing gap, particularly with reference to CEOs. CEOs are public enemy number one right now after oil companies and drug companies. And people see CEOs – people are worried about dialogues about the wealthy. They think, well, maybe I'll be wealthy. I want to be wealthy. People are not worried about dialogues about CEOs. They do not think they are going to become a CEO in this life, and even if they'd like their children to become wealthy, they do not think – they do not want their children to become CEOs.

What are the values that people associate if we're talking about a values-oriented dialogue? Well, here are the values that people associate with the Democratic Party, and it's a mixed list: equal opportunity, tolerance, individuality, compassion, strengthening families. Equal opportunity is people's number one value right now. It's the number one thing they want. Tolerance, by the way, is about 12th, so we're associated with both a very powerful value for this dialogue, and we often frame it in terms of tolerance with a pretty weak value, as far as people are concerned.

Notice some of the things that people think of as very important to them: strengthening families, their number two value; faith and responsibility tied for third and fourth – Democrats not very strongly associated with.

What are the Republicans associated with? Number one, strengthening families. Family, another frame that we really are not using enough in the inequality debate – particularly strong with women. Strong faith, and there's a lot in the book about – and not the least of which is our final speaker, some very eloquent articles talking about how to bring in the faith dialogue and the moral dialogue to the inequality debate, but desperately needed, and personal responsibility.

Just as we are never seen as having room for the individual, so we are never seen as speaking to responsibility. We don't want – always want to provide the opportunity as a safety net, but we never want to – are never perceived as wanting to demand responsibility. People weigh these two things equally and they want to see some of both.

So in sum, there are opportunities in this dialogue, but it's going to take a major change in the way that we tend to talk about it. There are fundamental ways in which we are missing the values that are most important to the public, the values that have also for 25 years been made more important to the public, but there are also some very powerful opportunities for us. It should be a dialogue not just about the present, but the future. We need to include the individual including opportunity and responsibility, and we need to think about talking more powerfully about the middle class and not making this just about the poor, but about a declining middle class as well.

Thank you.

Do we need (unintelligible) presentation?

MR. SAUNDERS: No, I'll do it.

MS. LAKE: Great.

MR. SAUNDERS: Is this working? I'd have given you three minutes.
(Laughter.)

MS. LAKE: Thank you.

MR. SAUNDERS: This is great to sit here and talk about equality, inequality. There's one thing I would like to start out by saying. This rich-versus-poor argument, we definitely have to reframe that. I personally believe there's nothing wrong with being rich. I've got a problem with the greedy. That's who I have a problem with. And I think we've got to reframe the argument and start talking about the greedy, rather than the rich. The American dream is to get rich, and quite honestly if it wasn't for some awfully rich people, none of us would be sitting here today.

But I think the real problem we've got is you can have dimes for sale for five cents, and if nobody knows about it, you're not going to sell any. And if you get to the message of the Democratic Party, and everything that's been said so far, and everything that will be said from where on is the truth, but you're not going to get a hearing. I'm a Southern white male. I come from the – I'm a hillbilly. I can't say that up here. I've got to be politically correct. I'm an Appalachian-American. (Laughter.) But in my part of the world, and Bob over here will tell you, when Bob Kerry can say 227 electoral votes before Labor Day, how are we supposed to win?

But the truth of the matter is this: in certain pockets of the South and the heartland – and you all can sit here and go nuts like everywhere else I've ever said it, but it's the truth – it is socially and culturally unacceptable for a white male to identify himself as a Democrat. I mean, we could be in my part of the world and we could sit here and we could tell about all of the terrible things that are going on, but Miles used something calls "reigning conceptions" and the reigning conception would be, we could sit here and talk about this and some Bubba would be back there in the back; the first question he'd raise his hand and say, "What are you going to do about my gun?" Because we can't get through the culture, and until we get through the culture and we let people know that we're not going to intrude into their lives, we can talk about arguments of greedy versus poor. We can bring the best messages.

People ask me all the time. I am a pro-gun, fiscal conservative, pro-God Democratic and proud of it. And where I live in southwest Virginia, there's 13 of us. (Laughter.) But I've got to correct it: 12; one died last week.

But what we've got to do is to get through the culture. We've got to let people know that we truly do have tolerance for their culture. And I don't have long to talk, but the idea that Democratic Party where I come from is a group that's tried to intrude in our lives. They're trying to change our culture. They have no sympathy for our culture. They don't understand how we live. They don't understand who we are.

It's like the old fellow that lives up the hills – I'll tell this and then I'll stop and let these gentlemen go on, but his name is Cornbread Marshall (sp). Cornbread Marshall, he don't have a Social Security Number, driver's license – nothing like that. Nobody knows he's up there. He makes good liquor. But he's got a cabbage-eating dog, and a buddy of mine was up there one day and his dog was there, and we grow real great cabbages in the Benton Mountain area of southwest Virginia where I'm from, and he had a crate of cabbages over there, and – Cornbread did and he was talking to this fellow, and he threw him a head of cabbage. And the old boy looked over there and that dog went over and gobbled up that cabbage. And anyway, but he couldn't believe it. He said, "Will my dog eat cabbage?" He said, "Sure he will." He said, "Any dog will eat cabbage." So he calls Corn – goes hunting, and comes back up in the mountains, sees Cornbread a couple of days later and he said, "Cornbread, you done lied to me." He said, "I didn't lie to you." He said, "Well, my dog won't eat cabbage," and he said, "Mine wouldn't either for the first three weeks." (Laughter.)

So that's where we are. I mean, we can sit here. We can talk about this all we want to do. We can force feed it, but until we get a tolerance of the culture of the South and the heartland, and Celinda will sit here and she'll tell you – and absolutely. When I first came across the Beltway – and I'm a southwest Virginia and before I went to work for Warner, I'd been in D.C. less than five times in my life, but I did learn how to read and I did learn how to count, and I'm not talking about advanced mathematics. I'm talking about arithmetic.

Is there anybody in the Democratic Party who can count? I mean, it completely drives me berserk. And the only thing that has happened to the Democratic Party in the last 40 years is we've lost a white male. True? That's all. And if I talk about attacking white male – if I talk about taking inequality issues and taking them to the white males, and I'm in a Democratic meeting, first off, people will look at you like, by God, you're a racist or something. But that – we've got to start targeting different constituencies. And once the Southern white male – inside every Southern white male is a Republican trying to get out, and remember that. (Laughter.) And so I believe that we set the stage with – get through the culture, that we real – let the retrievables, and they're all retrievable – let them know that we're not messing with their culture. Take it off the table and then you start doing this. You watch how it works. We did it in the Warner campaign and it worked.

Thank you.

MICKEY KAUS: Thanks. I'd say that the – my basic proposition is that Democrats should care about social equality, not income equality. There are two different kinds of equality. One is you talk about Gini coefficients and quintiles. And I had a girlfriend once who was turned on by talk of deciles and quintiles. She was a very strange person. (Laughter.) Most Americans are not turned on by talks of Gini coefficients, but talk about social equality, or inequality in the case of what Mudcat was talking about, and they do get very excited. Remember, George Wallace's campaign when it caught on in the north – this is long before income inequality got as bad as it is – he railed against “overeducated, ivory tower folks with pointed heads looking down their noses at us.” Well, people looking down their noses at other people is social inequality.

So I guess my basic pitch, which I'll try to justify, is that the way to get heard is to talk about that, rather than talk about Gini coefficients. And this myth that – or not so much of a myth apparently, according to Mudcat, but the Democrats are elitists who want to impose their social values and think they're better and more moral than other people is incredibly damaging because it puts Democrats on the wrong side of the social equality issue.

And Tom Franks' book – I went to hear Tom Franks speak and I thought I was going to hate him. He wrote a book called *What's the Matter With Kansas?* and he argues that this populist story that Republicans tell is crucial to their success. And the more – and I came to be convinced that he is, in fact, right. And he's right because anytime you give voters the impression that you think you're better than they are, you've lost the American voter at least. I can't prove that Americans care more about social equality than income equality. Celinda, questions on polling don't really distinguish between the two. And I don't want to commit what my friend Mike Kinsey calls the Howell Rains fallacy, which is very easy to fall into, which is assuming that the great and good America people agree with you and that assuming that if only your ideas – if what you thought was right was out there that you would win elections. Sometimes the American people are full of it, but I think it's easier to argue when the alternative view, which is worrying about money equality, has some manifestly failed. Democrats have been unable to get people interested in Gini coefficients and quintiles, no matter how many surveys Bob Greenstein and the Center on Budget Priorities put out.

It's also much easier to change social equality than income equality. By far the most socially equalizing institution we had was the draft during World War II. You had rich people serving alongside poor people. If we now complain that America is a less equal country, is it because incomes have grown more unequal, which it has, or because we've abandoned the draft and we have the generation that had that great egalitarian experience of serving in World War II is dying out. I would – I suggest it's the second one.

I also think there's nothing we can do to change income inequality. In this, I am playing the role of the – on ABC they used to have this thing called “The Person of the Week” where they highlighted Mother Teresa. In order to get balance, they'd always – they had a guy always who like two-thirds of the way through said, “Well, Mother Teresa

is a jerk,” and he was sort of the jerk of the week. So I’m playing the role of jerk of the week. I think the impression given in this book in Bill Moyers’ essay and in Bob Kuttner’s essay that we chose inequality is awfully convenient.

In fact, I think inequality is the product of exorable forces, which we either can’t control or don’t want to control. The most common ones are greater pay for greater skills and globalization and free trade, which results in lower-paid workers abroad taking unskilled jobs.

One of the themes of his book is, yes, but other countries have successfully (unintelligible) these forces. Well, first, it doesn’t – and Christopher Jencks’s essay is especially evasive on this. That doesn’t mean that the underlying economy hasn’t changed. It just means that some countries may be able to control it.

I see it as sort of a – there’s also a factor, which is as skills grow more important, differences in performance between people who have the same formal skills become more important, and we’re clearly going to a more skilled, knowledge-based economy. We don’t want to change that, so in firm after firm we have a star system. I used to work for *Newsweek* magazine. *Newsweek* used to be a place where everybody made \$60,000 a year rewriting stories. Now *Newsweek*, in order to get an audience has to have a star system. You have to pay Howard Fineman about three to four times that. If you want to succeed you’ve got to do that, but that’s going to create a lot of inequality.

MR. SAUNDERS: Howard Fineman isn’t worth that. (Laughter.)

MR. KAUS: Well, we can talk about Howard, but he’s worth it if you can get him over the phone.

I haven’t seen any liberal solution that is going to change income inequality. I once calculated we need to double the effective tax rate on the rich in order to get us just back to where we were in 1977. We’d have to have an effective tax rate of over 50 percent. There’s no nation in the world that does that except Sweden, and Sweden is going back in the other direction cutting taxes on the rich. That’s not going to happen.

I also think we’re ducking the question of unions here. When I was young, I used to have to be nice about unions. Now that I’m old, I’m cranky. I just say what I think, which is that every unionized industry in America is failing, including the government. There’s a reason why all the unionized auto companies are in trouble and the non-unionized ones are doing okay, and the Democrats are completely wedded to unions and they are unwilling to admit this. I’m with Robert Reich, who said that the place of organized labor in the future of the American workplace is yet to be seen. He’s changed his tune since then.

On the other hand, it’s quite easy to change institutions that breed social equality. We can make our schools work. It’s easier to make the schools work than it is to change the income distribution. One of the things is you have to tackle the teacher’s unions. It’s

easier to cut the crime rate, we've discovered, than changing income inequality. When you cut crime rate, you have all sorts of socializing institutions like public parks that bring people together and treat them as equal. They all open up when you cut the crime rate. We can cut the crime rate. We can have a healthcare system that treats rich and poor alike. And there I think healthcare is a question of life and death and it goes directly to the question of whether you think somebody's worth more than somebody else. We want an egalitarian social – egalitarian healthcare system, and I do worry that Bush's emphasis on individual accountability is going to produce a multi-tiered inegalitarian healthcare system. But we can do that and we can do that easier than we can change the Gini coefficient. I don't think we can bring back the draft. I think the draft was a great equalizing institution. I think that's dead for our generation.

And the other thing we can do, which is also skated over in this book, is – there's one era where equality was getting better, and that's the later Clinton years because we were running a really hot economy with a tight labor market at the bottom. People wanted to hire unskilled workers. They paid them good money. Incomes were going up. Why isn't the position of the Democratic Party that we want to get that back? Not that we have to deal with all of income inequality, but we have to do something that we have achieved before. I would say, if you do those things, we will go a long way to accomplishing what the real goal we're after, which is – I think I'll end with a quote from a politician who was very successful who said, "As Americans, whether we come from poverty or wealth, we are equal in the eyes of God. But as Americans, that is not is not enough. We must be equal in the eyes of each other." And it's not equality before the law, not equal opportunity, but we have to actually be equal in the eyes of each other. And, of course, the man who said that was Ronald Reagan, bizarrely enough. And he was successful in part because he appealed to this idea, which we don't even have to articulate, that most Americans share.

MR. FRANKLIN: Thank you to the Center for American Progress and to Demos for this important service to our democracy. I'm a proud member of the Demos board. I'm a proud American with a heavy heart. True to my vocation as a theologian and an ethicist, I have no PowerPoint presentation. (Laughter.) Little data, but I did stay at a Holiday Inn Express last night. (Laughter.) America is a nation of religious believers, or so Gallup – George Gallup tells us repeatedly. There are over 400,000 houses of worship. We believe in God at higher rates than any other people in the industrialized world. And America is a nation of religious behaviors, so University of Chicago historian Martin Marty tells us, along with independent sector, who reminds us that religious people give more money than their nonreligious counterparts, they volunteer more, and they explain their good deeds in theological terms; that is, stewardship over citizenship.

At the same time, America is a nation that is deeply divided; a nation that is, as several of my colleagues have put it so eloquently, pulling apart. America today stands in need of precisely the healing resources and reconciling resources that faith traditions can offer, but to date, organized religions have not taken up the mantle of advocacy

indignation and mobilization to alleviate poverty. Not since Dr. King's poor people's campaign have we seen a vibrant religiously-motivated movement to eradicate poverty.

Now why is this? Let me hazard two brief reasons. The first: Americans have an amazing ability for psychosocial distancing from hard facts and difficult truths. People see the problem, but do not perceive it to be something that they can impact. Even more disappointing, and I think dangerous in our time, is our insistence upon receiving simple answers to life's complicated and difficult questions. This accounts for the popularity of popular religion today. Televangelists like Pat Robertson and Jerry Falwell have played to this choir in ways that do a disservice to the complexity of authentic faith, of authentic, intelligent religion. Indeed, when one thinks about concepts like moral tragedy; that is, sometimes the good die young, bad things happen to good people. That's fairly complicated stuff. Or the fact that sometimes redemption, or goodness comes through suffering – complicated stuff. Or sometimes we have to figure out how to render under Caesar the things that belong to Caesar and things of God that belong to God – all pretty complicated items. And yet, Falwell and that rhetoric clearly belie the complexity in thoughtful religion. Popular religion has failed; has been a poor steward of its enormous visibility, influence, and potential to move the needle on inequality. But it seems to me the sleeping and silent giants may be awakening at this time, and so our ability to insist upon simple answers to complicated questions and our distancing from the real problems.

Second, Americans have an exceptional skill for changing the subject. The subject should be, and certainly should have been in recent elections, how can we create conditions for offering an abundant life to the 37 million of our neighbors who live in poverty? The question should have been, how are democracies threatened by racism, sexism, homophobia, and irresponsible talk radio hosts who pollute the public discourse with their meanness and rudeness? That should have been the question that people of faith were taking on. But instead, we changed the subject and focused on abortion, on stem cell research, on teaching creationism, and same-sex marriage.

How can we talk about this issue and get it back on the national map? First, we must broaden and deepen the values debate in America – broaden and deepen the values debate. I think I hear that affirmed by nearly every one of my fellow panelists today. This can be started by launching a values offensive. That is, I think, a delicious oxymoron – a values offensive. Progressives must talk about strong and stable families, more and better marriages, fewer abortions, more hopeful and achieving children. But all of us must talk about a consistent ethic of life that demonstrates care for children throughout the early years of the life cycle and beyond. We must declare that freedom of thought is also a moral value, that honest elections are a moral value, that lobby reform is a moral value, and election reform is a moral value. Indeed, an even-handed secular state that does not privilege any single religious tradition over the others is a high moral achievement, and we should claim that.

But second, we must illustrate our message. People have to see the reality of poverty in America and here I am challenged and a bit sobered by Celinda's observation

that the Katrina visuals didn't necessarily move the needle of empathy here, and that's important to reflect on. But I'm struck by the way which people grapple with images that sear the imagination. And I think this can be accomplished by politicians and even policy wonks, our best writers and journalists and artists, filmmakers and others, learning to tell better stories and show better images.

But beyond manipulating language and image, we need to get closer to the problem ourselves. And this is something I don't think elected officials have done much of. Recall that Bobby Kennedy went to see poverty in the Mississippi Delta. I spoke recently with Marian Wright Edelman who reflected on, kind of, leading him into those little towns and villages and she could almost sort of hear the growth at work as he discovered things about America he hadn't known before. Bobby Kennedy went and he got close to the problem.

Dr. King, in 1966, moved into an apartment on the west side of Chicago. He was there, present; not simply manipulating televised images, but he lived there and he learned an important lesson about poverty and racial discrimination. This is not simply moral drama. It really is, for me, moral agency that translates into moral authority.

Let me close with a quote from Martin Luther King, who I think issues a call for our time. In a little sermon titled "Transform Nonconformists," King said, "This hour in history needs a dedicated circle of transformed nonconformists. The saving of our world from pending doom will come not from the actions of a conforming majority, but from the creative maladjustment of a transformed minority." Isn't that a great phrase? A creative maladjustment of a transformed minority. And so, Miles and John and others, I think that the hope for restoring the American dream lies in a broad coalition of religious and secular originations, of sleeping and silent giants awakening and coming together and answering the call for more transformed nonconformists.

Thank you. (Applause.)

MR. DOUGLAS: I want to thank all of the panelists for their presentations and just say a couple of things. First, there was a lot of discussion by the panelists about Democrat, Republican and politics. And I want to just be clear that both the Center for American Progress and Demos are nonpartisan organizations. The mission behind this event was to get anybody – Republican, Democrat, independent, whoever – to start focusing on these issues and start talking about it, and it wasn't to be a strategy session for either group. We feel that these are issues that are grate importance. There are not enough people talking about them on the political stage, and we were hopeful with some of the ideas that were shared today, people might be more effective at getting them on the political stage.

Secondly, before I open it up for questions from the audience, I did want to give Jim a quick chance to respond because Mickey, in his excellent presentation, had some come specific critiques. If you wanted to respond to the critiques of the book, in particular, if not I'll just go to questions.

MR. LARDNER: With pleasure, on two points. I thought that – I think the idea of looking for these social arenas where we as a people truly believe that money should not rule, which was an idea of Mickey's book, is powerful and a good idea. And partly what we were doing in this little survey of what the growing economic inequality of the last three decades has done to America is finding out that we've been failing, despite almost a consensus of belief, to preserve even a decent measure of equality in one arena after another. And it suggests that a certain amount of economic inequality may be incompatible and a certain direction of economic inequality may be incompatible with preserving the kind of social inequality of which he speaks.

And that gets me to the second point I want to respond to, which is, if it's an argument about a little inequality versus none, or a little versus a little more, that's one thing, but when you get into CEOs of large corporations, for example, the obvious example, earning hundreds and hundreds and even a thousand times as much as the average worker, first of all you can ask yourself – I do ask myself – is this the free market? Is it the free market when the CEO is picking the board members and the compensation – members of the compensation committee and their logic comes down to, well, if we didn't offer such-and-such, so-and-so \$5 million a year, it would make our company look bad because it would look like, you know, we don't think highly enough of our CEO. I mean, that's kind of the level of rationalizations are often at. So it's one thing – I do not accept the idea that some of the extraordinary gaps in America today, which offend common sense, are really the products of market forces.

MR. DOUGLAS: Okay. We're going to have member of our staff take around the microphone to each of you. And, before you speak, if you could say your name, and you affiliation and speak into the microphone, because we are recording. And first, I would like to ask if there are any members of the media here who have questions. We generally take questions from the media first before opening it up. Right here. Wait for the microphone.

Q: Peter Fernose (sp). I'm a correspondent for a Dutch weekly – a weekly from the Netherlands. I have a question for Ms. Lake.

Ms. Lake, I was wondering, you gave us the percentage, I think 80 percent of the Americans that think they belong to the middle class. Is it true, I'm just wondering and – I heard this number and now you're here – I have the chance, that 10 percent of the think they belong to the richest one percent.

MS. LAKE: (Laughter) Yes, that is true. American's are not very good at math, that's number one. (Laughter). My favorite illustration of that is when we were doing a lot of work on choice and several people in our focus group said, well exactly how many trimesters are there in a pregnancy? (Laughter.) Apparently, they're very good at math, or arithmetic as Mudcat would say. But the second thing that's important about that is that all of these things, I think, are state of minds. They're not income categories. Middle class is a state of mind. Wealthy is a state of mind. And people's aspirations to

wealthy – it's not an aspiration to a certain income level; it's an aspiration to a certain state of mind.

MR. DOUGLAS: More questions from the media? First?

MR. : (Off mike.)

MS. LAKE: (Laughter.) There you go.

Q: I'm David Hoff. I'm with *Education Week* newspaper. I'm wondering how education, particularly K-12 education plays into equality, and in particular with the debate these days over things such as charter schools and choice vouchers. Where do they play in the public's mind in term of getting a better education for their children?

MR. DOUGLAS: Anyone want to take that?

MR. LARDNER: Well, I'd like to say that that we have a chapter in our book about K-12, which is by Richard Kahlenberg, who works in this building, and for all I know, might even be in this room. Yes he is. And he points that there is – everybody's got their pet remedy for American education and many people, by the way, are offering their pet remedy not only as being the answer to the problems of the education system, but also the answers to the problems of inequality, if you think it is a problem. But almost none of the debate, none of the positions touch on, for example, the fact that 50 years after *Brown versus Board of Education*, poor kids in America are increasingly likely to be sent to schools with large numbers of other poor kids, which is a formula that has not worked very well. And there are communities in this country that have deliberately tried to come up with systems of public school choice that aim to achieve economic integration or a middle-class majority of their schools. And, as Rick Kahlenberg documents in his chapter, the results are impressive; certainly worthy of discussion and startling that it's not part of the educational debate, the mainstream educational debate.

MR. KAUS: When my agent read my book, she said – she doesn't mince words – she says, its okay, but it falls apart in chapter nine. And chapter nine is the part where I talk about how to ingrate communities by class, the stuff that Rick Kahlenberg talks about in his chapter in this book. What charter schools hold out the hope is of breaking the bond between educational and residential segregation, because if you have a choice system, you can live in a poor neighborhood and a rich neighborhood and you don't have to go to your neighborhood schools, you can both go to a charter school. So it's a very promising thing not just from an educational standpoint, but from a class-integration standpoint.

The second issue I want to raise is what everybody – it's the lurking issue behind a lot of this discussion of equal opportunity in education, which is what I call the Herrnstein nightmare. I don't like Richard Herrnstein's view, but you have to take them seriously. And his point is in the society that values smarts more and more, and smarts

are partly inherited, there is the chance that smarter will become rich, they will marry other smart people, they'll have smart children, and opportunity will grow less and less equal, as seems to be happening, as is documented in the book. But if that's the cause, that's not something you can easily remedy just by offering schooling to everybody.

MS. LAKE: One thing that I would add to that, though, or two things that I would add: it turns out most Americans – America overwhelmingly wants a good school in every neighborhood. People do not actually want to move their kids around. I have no idea whether it would be good policy or not, but people want good schools in every neighborhood. And then when you talk about choice proposals or voucher proposals, all you have to do is say that it will – and people are of mixed views on it, but all you have to do is say that it will take public tax dollars away from public schools, and people turn soundly against it. So it isn't really, people aren't really wanting – I mean this is – I thought what was interesting about Jim's comments about the two perspectives – school is one of those institutions where people think it very fundamental to the American dream. They'd just like everybody to have access to a good school.

MR. DOUGLAS: Any more questions from media?

Q: Hi, I'm Sam Pizzigati from the Too Much Newsletter. Reverend Franklin called for a values offensive. I'd like to ask Celinda, Celinda, what does the polling have to tell us about Americans' attitude toward one value, and that is greed?

MS. LAKE: Oh, I was saying to Mudcat that we're doing – and I don't know if folks are involved in it, if EPI is here – if there's anyone from EPI here, but we're working with the Economic Policy Institute on some work right now. And people, actually – Mudcat is right, it shouldn't be the gap between the rich and the poor or the wealthy. It's greed that's overwhelmingly coming out of that work as the thing that people are really angry at. And CEOs in peoples' minds are typified not by skills, but by greed, and so it's a very, very powerful paradigm actually.

MR. SAUNDERS: I would agree with the good Reverend over here. In talking about charter schools, I was one of the guys in Virginia who fought them. And the reason I fought them is because Jerry Falwell and Pat Robertson were for them. I think Dr. Franklin over here was very nice calling them televangelists. They're Pharisees is what they are, and I mean, that is a fact. Pat Robertson knows arithmetic. I mean, if you watch the *700 Club*, he'll show you if you're broke and if you give 10 percent, God's going to give you back 10 times that.

I think that the charter schools began as re-segregation of our schools. I don't feel, in my state of Virginia – and I understand there are people here who want charter schools. That's cool. I mean, if you want them, that's fine. I don't. But the segregation of sin, segregating yourself away from sin, I think it's a joke. I think it has to do with spiritual self-righteousness, which I loath.

As far as the values deal is concerned, I don't think that the Democrats understand. And I think Dr. Franklin over here has to be doing a lot more talking about this because I personally think that when I ride down the road and I see GOP on a car, it says, "God's Only Party." And I want to hit them in the quarter panel and turn them around in the road. That's crazy. What's the moral values in eliminating the child immunization program? What's the moral values in not funding No Child Left Behind? We have to talk about that. But as far as declaring that we're the party of God, I will do anything to win a campaign – anything except two things: number two, go to jail. I'm not going to do it. I mean, I'm just not. I'm sorry. And number one, I'm not going to bring God into the field of politics because the way the Republicans are polarizing God's children is blasphemy. And I read the book and I ain't getting into the blasphemy game. I've got enough I've got to explain already. (Laughter.)

MR. FRANKLIN: Well, this values offensive might begin with reminding religious Americans that greed is one of the seven deadliest sins.

MR. DOUGLAS: Question there? Wait, one moment.

Q: Thank you. My name is Bill Neal (sp). I'm an author that writes about the future of the Democratic Party, so then I hope the future of the nation, too. I have a problem with pollsters. I'll toss this out for comment. I have a notion in my head that what people name as a problem and what we saw up on the screens in front us so much, what the public responds to in open-ended polls especially, is what they've heard the major media talk about as a problem over the last six months, which reflects the narrative they hear coming from both parties' spokespeople. And on that, I think, the Democrats are losing that battle. They don't have a clear narrative.

I raise the issue because I don't see how – if the new line for the Democrats is going to be the greater opportunity or the equal opportunity society – Mr. Greenberg's written about this as well – that word "opportunity." How do you get from you can't have a race starting from such staggered present with the great inequality and then magically without transformation of incomes and full employment get people to a fair race? As we learned, you know, getting from the 1920s to the 1930s, it took a national disaster to get there.

And I'll close with one final comment. I never hear a Democrat today talk about hedge funds, derivatives, currency speculation, the shaky, unpredictable future of this "free market" that even sober conservatives recognize is a very, very problematic bet for the future economic security of not just this country, but the international economy.

MR. SAUNDERS: I'll take up for the pollster. What's happening – reality's reality. And personally, and I think Celinda will go along with this, in campaign activity – and I am a campaigner, I'm not into civics that much. I'm not into policy a whole lot. I'm into politics – campaign. And I personally think a focus group – you know when you're lying things out, you're better off, and I think Celinda will agree with that, if

you're actually doing it, as far as you're talk – I guess you're talking about the trade deficit. You used some words I didn't understand.

Q: (Off mike.) On three different occasions an international financial collapse. Speculation in the currency markets in the multiple trillions of dollars sloshes back short run. What all the good, economic advice from your adviser – financial advisor says not to do: speculate in the short run. Sloshing around now – without rules, as compared to what we lived under that made a very prosperous world up till 1973 when we dropped an international currency standard.

MR. SAUNDERS: Well, you've got to talk to somebody else about that one. People where I live don't talk about that. We talk about kitchen table issues like where are we going to get our new job? How we're going to get dental care for our children? How we're going to get healthcare? I mean, people think that we sit down in the South and Dr. Franklin will tell you this, we talk about when we're going to get us a new gun. You know, we're a – let me tell you what. We've got to move the Democratic Party back – and I'm sorry to say this to you – to kitchen table issues and get off all this other stuff. We've got to bring it back to the kitchen table – New Deal politics, 1932.

MR. DOUGLAS: Well, unfortunately, we're out of time. The panelists may be here for a couple of minutes afterwards if you'd like to come and talk to them, but I want to thank everyone for coming today, and particularly thank the panelists for their excellent presentations. And hopefully we can use this information that they provided us to get these issues more on the political radar screen. Thank you.

(Applause.)

(END)