

Center for American Progress



AND *THE WASHINGTON MONTHLY* PRESENT:

**“THE OWNERSHIP SOCIETY: WHY NO ONE IS BUYING,
AND A NEW PROGRESSIVE ALTERNATIVE”**

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E. J. DIONNE: I want to welcome everybody here today. I want to welcome our C-SPAN audience: thanks to C-SPAN and to all you out there watching. It's a real honor to be moderating this event today, the *Washington Monthly*, as you all know, really represents an extraordinary tradition in Washington, some of the best people all of us know in journalism have passed through the *Washington Monthly* over the years. It's always been a voice for independent progressive thought, and it occasionally annoys almost everyone, which is good, but it has also been consistently on the side of – to use the title of the organization here today – progress.

And today the new team at the *Washington Monthly*, which is quite consistent with the old tradition, is taking it in some really important new directions, and I'm just very grateful that I have a chance to be here. One of the reasons this event – so everybody knows – is cosponsored by the Center for American Progress and the *Washington Monthly*. My name is E. J. Dionne. I write a column for the *Washington Post*. I'm a senior fellow at the Brookings Institution and teach at Georgetown, and I'm here mostly because I just wrote a rave review in my column of this particular issue of the *Washington Monthly* because I think raised some very important issues at a time when Democrats and progressives are obsessed with what they have to say – what they are supposed to say in the coming years. And rather than just write vaguely that, well, progressives need a message, the *Washington Monthly* took a crack at part of that message.

And so what I'm going to do today is – what we're going to do is have a discussion of this issue of the magazine and the issues it raises. Incidentally, if everyone can remember, because I forgot, please shut off your cell phones. Mine is still on, so I will shut it off when Paul starts talking.

We'll here first from Paul Glastris, who is the editor in chief of the *Monthly*; Robert Gordon, senior vice president for economic policy here at the Center for American Progress; and Karen Kornbluh, who is the policy director for Senator Barack Obama and is for my money one of the smartest people writing on work-family issues in our country. She's been working on this for a very long time. I have three children. I am very grateful to anybody who is doing really hard work on that subject.

So why don't I – oh, and we also have Kevin Drum, who is the editor of the Political Animal Blog: I just met him and said I was very honored to meet the famous Kevin Drum. So as I understand the order, is Kevin going to kick off and Paul going to go next? Is that how we're going to do it? Or is Paul going to go –

PAUL GLASTRIS: I'm going to go first.

MR. DIONNE: You're going to go first and then we'll go to Kevin, Robert, and Karen. And then I may ask a question or two and we'll open it up to you all. So welcome and thank you, Paul, for putting out this great issue.

MR. GLASTRIS: Well thank you, E. J., for those kind words. E. J. is an old friend of mine and the magazine and the Center for American Progress. I want to thank the Center also for doing the extraordinary work they do, there is nobody in Washington like them, thanks to John Podesta, and Laura Nichols, and Anna Soellner, and Robert Gordon, and some of the folks. This was really a joint project of the Center and the *Washington Monthly* and we're pretty excited about it.

What we tried to do with this issue and what we're going to try and do with is event is focus on the issues of choice and individual empowerment in American life and public policy. These are old, rude American ideals that know not – they don't know a political party; they're just part of our patrimony. And if you think about it, 40 years ago or so, choice and individual empowerment were very much associated in the public mind with progressive ideas: abortions rights and civil rights and so forth.

Round about the '60s and '70s, they just began to shift and conservatives, understanding that they too needed an agenda for individual freedom, individual rights, began to adopt some of the ideas of Milton Friedman, who in his writings talked about voucherizing government benefits, private Social Security accounts. That's where that idea first came from. Vouchers so that people could take public money to go to private schools. In the '70s and '80s, the think tanks here in town – Cato and Heritage and others, and eventually Grover Norquist's groups – began to really expand on these ideas of privatizing government benefits to pull out the sort of deeper political possibilities of this.

The idea was that these big government benefit programs were impossible to cut politically, but if you voucherize them, not only do you enhance virtues like personal responsibility, but you put them on a path where they can be cut later; and, moreover, if these benefits can be moved – can be voucherized, you have – so the theory went – a transformation of American politics where voters, instead of being government-dependent Democrats, they become self-reliant Republicans. That was the theory anyway.

So these ideas have been out there for quite a while. They were – Ronald Regan talked about them, but only since 2001 when both sides of Pennsylvania Avenue fell into Republican hands has there been a chance to actually road-test these ideas under the Bush administration. They have now had several years. They've done it. The debut has happened and the reviews are in, and one has to say the reviews are not very good.

Begin with President Bush's Social Security privatization plans. When he began talking about them in earnest in September of last year, 58 percent of the public thought it was a great idea that individuals could put some of their own money into private accounts that they would control. By the end of the process of the president talking about them,

the press talking about them, Democrats talking about them, the approval rating for Social Security private accounts was 28 percent, which is lower than the public approval for legalizing gay marriage and marijuana – very, very low – extraordinary plummeting of support.

Another example is the Medicare prescription drug benefit. When the – prior to the passage of the bill the president signed, 90 percent of the public thought this was a great idea. Today, after the passage of the bill that uses huge amounts of federal subsidies to basically push people into private accounts, 31 percent of the public right now thinks the Medicare prescription drug plan is a good idea. It is probably the least popular big-entitlement program of all time.

A third example would be education. We don't have vouchers nationally, but we do have them here in the District. Under the Bush administration, they've been out now for a little over two years, and only 7 percent of those eligible for vouchers have actually applied for them.

Similarly, under the No Child Left Behind Act, we have – any kid in any failing school in America, his parents can choose another public school for him or her. One percent of the public whose kids are eligible actually make these choices. So you begin to see the pattern here. The Americans love the idea of choice in the abstract, but when faced with the actual choices that conservatives are offering them, they're not buying.

The question is, why? I don't think it's that people don't like choices – they don't like individual empowerment. I think that the conservatives have failed to take human nature into account when crafting these choices. The truth is that people like to have choices, but quickly feel overwhelmed when they lack the information and expertise to decide for themselves. And they turn downright negative when the choices themselves seem to put what they already have at risk.

Conservatives were bound to make these mistakes because their very aim has been to transfer more risks from government to individuals so that government size and expenditures could be cut. But that is simply not a bargain that most Americans will accept: they like choice fine, but they won't trade security to get it.

Now, I don't think this means that we should not have a discussion about how to inject more choice into public policy. I think liberals would be fools to do that. But first we have to understand why it is conservatives fail to read human nature correctly. There is a whole literature out there on behavioral psychologists who look at how people react to the choices that they have. And we look at the private sector and there is a plethora of new choices: everything from pastas to paints to automobiles coming out maddeningly broad array of colors and configurations, and we have more control over what we buy. Think of how we used to use travel agents; now we use Orbitz. We control that. So the market is moving towards more choice and individual control; it's natural that government should too.

However, when people are given an array – a vast array of choices, they very quickly, so the psychologists tell us, become overwhelmed. Too many choices makes people feel they are not in control, the very opposite of what it is choice is supposed to give.

That's, I think, what happened with the discount drug cards that just ended for the new prescription drug benefit: too many choices, too many permutations to work through. Most people when they face those kinds of choices, they choose not to choose. They simply don't make a choice. The more intractable problem is that at least with the prescription drug cards people were getting something they didn't already have: help with the buying of prescription drugs.

The more intractable problem for the president has been trying to inject choices into benefits people already have, and, again, Social Security is the example. Psychologists talk about the endowment effect: that people are extremely risk averse with benefits they already have. Well, what the president was basically offering with his Social Security privatization ideas were two or three different ways people could have less retirement security. And that just wasn't a good deal and people eventually felt that way, even if they didn't know the specifics of the plans, and the poll data suggests that.

So the question is: if conservatives seem to have gotten this wrong, how can liberals and progressives get it right? And I do think it necessary that they do, first of all because the conservative agenda of injecting choice into public benefits isn't going to go away. There are whole organizations here funded to achieve precisely that end. Second, I happen to believe, and I think the literature is clear on this, that one of the best ways to achieve important liberal ends like universal healthcare is by using a variant of choice and individual empowerment, but we have to begin with the simple notion that when – that the public loves the idea of choice, but often hates to choose. And if we build that into our thinking about choice and public policy, I think we'll do better.

Let me give you three quick examples just to illustrate. I won't go into them in detail, but, first, we obviously need to do something about a retirement system. President Clinton and Vice President Gore talked about individual 401(k) accounts outside of Social Security as the answer. A lot of progressives have been behind that. To make people put money aside; the idea would be to see that – to have a government match for that money. Well, we don't have a lot of extra money lying around now that the surplus has been blown, how can we expand the number of people who have 401(k)s without a lot of extra money?

Well, the Brookings Institution among others have talked about making 401(k)s automatic for every employer so that every employee automatically gets, say, 5 percent of his or her wages put into a 401(k) and they can affirmatively choose not to have that happen, so it's still a free choice, but the default is that it goes into an account. When you do that, the percentage of low-income employees who save for their retirement in 401(k)s jumps from about 20 percent to 80 percent. Now just think about the potential of this, if

every employee, full-time employee had automatic enrollment what that would do to the savings rate of this country, what that would do to retirement security in this country.

Another example is healthcare. If we keep in our minds the idea that people hate to choose, what if, as the New America Foundation and others have suggested, we have mandatory healthcare – health insurance in this country the way we have mandatory auto insurance, but we provide subsidies for those who can't afford it? And then we match that with what individuals who don't have healthcare through their employers buy into the federal government's healthcare program, which provides an array of pre-screened, efficient healthcare options, through the private sector. That gives people more choice, and would lead us to universal healthcare, and it would do it in a way that people actually enjoy. It will give them more choice over their health plans, more choice over their doctors.

I think that liberals are on the winning end of any argument on choice when it comes to healthcare because right now the American public has very few choices of healthcare. They basically get what their – the few choices that their employer offers them, and that usually limits doctors.

And finally there are some other ways of doing that in education, too, which I won't get into, but beyond just having choice go from government to individuals, and control go from government to individuals, we all got to thinking, why shouldn't progressives take the next step, and say that, why not have choice and power move from corporations to the individual? After all, protecting the common man is a basic agenda item of liberalism and progressivism for many years. And so we got to thinking, what are some areas in which we can tap into this older populist progressive agenda?

And one of the ideas that we came up with – it's not a new idea; it's been out there, but we tried to lay it out, by our editor Zach Roth wrote a piece that says that individuals ought to be able to buy their cable a la carte. It shouldn't be up to the parent to say: either I get cable which has a lot of things I want, but a lot of things I don't want my kid seeing, or not. The parent ought to have the option of buying, say Nickelodeon, and having that come into their house, but not having to pay for MTV.

It's a way of rooting control over the media environment of families in the hands of the parent in a way that's easy for the parent. Right now, parents have to constantly monitor their kid's TV watching, and as anyone with kids knows, that's almost an impossibility in today's world. Again, giving control from the marketplace to the individual. And a lot of what we're going to talk about today are other ideas to do that. And one idea that I was very taken with, and Robert Gordon wrote up in this issue of the *Washington Monthly*: it has to do with credit cards. And so I think we should, E. J., move over to Robert Gordon.

MR. DIONNE: Okay, and thank you very, very much.

MR. GLASTRIS: Thank you.

MR. DIONNE: Just so you know, there are three articles as well as individuals represented up here. Robert – and they all have good headlines, which is to the credit of the editors of the magazine. Robert’s piece is called “Taking Charge” and it’s about hidden fees on credit cards. Kevin’s piece is called “You Own You” – there’s a good conservative sentiment – and it’s about identity thieves. And then Karen’s piece is “The Joy of Flex” where she will – and she will talk to us about flexible time. So let’s go to Robert and then to Kevin and then to Karen.

ROBERT GORDON: Great, thank you E. J., and thank you, Paul, for the phenomenal editing and also want to thank Derek Douglas who co-wrote this article with me. So I’d like to talk about what I think should be a plank of choice-based progressivism, and frankly of any progressivism, which is taking on the abuses of credit card companies and mortgage lenders. This is not regarded by a lot of political professionals as sort of a central, top-tier issue. It’s sort of seen as peripheral, boutiquey; kind of like school uniforms for populous maybe. And it is an enormous issue.

Just to give you a sense of some numbers, the prescription drug benefit which was mentioned is going to work out to about \$60 or \$70 billion a year that it’s going to cost. The cost to families of penalties and interest payments on their credit cards today is about \$90 billion a year. The cost of penalties alone, just penalty fees, is between \$15 and \$20 billion a year. President Bush famously sent families rebate checks, \$300 a person, \$600 for a couple, the amount that the typical credit card-holding household spends on penalties and fees in a year: \$830. So if we could capture a portion of this – half, a quarter, or whatever – we would be delivering to middle-class and working-class families a benefit that is comparable to benefits that are delivered by large government programs or substantial tax cuts.

That brings me to the next question, which is, can we do that? Is there money here? Are there abuses going on here? I think the answer is yes, and getting to that answer is actually a story that is a much larger story that has a implications for our whole economy. Why are people – people are incredibly dependent on credit cards today: \$800, \$900 billion a year in debt. Why is that? It’s a larger story about middle-class economic insecurity: wages stagnant, lots of volatility, people more likely to have huge ups and downs, as Jacob Hacker has described. That’s part of that next piece is people don’t have the insurance that they once had, healthcare, pensions, et cetera. So what do they do? They go to the last safety net they’ve got, and that’s the plastic in their pocket. So that’s what’s happening to people.

The other thing that is happening through credit cards that’s very striking is that there’s middle class insecurity, and then there’s the distributional aspect. For people that pay regularly their bills on time, which is a minority of Americans – 30-40 percent – credit cards are great. You get LL Bean discounts, you get miles, you get a little check in the mail once and a while. If you’re not paying your bill regularly, you are paying 25, 30, 35 percent interest, \$40 late fee, \$40 over-the-limit fee, and it can be devastating to people.

And the question of what is going on here, some might say, “Oh, it’s just the market working.” What you’re actually seeing, this goes to the points that Paul made, is consumers with very little information, often presented with a bewildering array of choices and the information, if it’s there, is hidden away. And at the same time, consumers with a set of biases that lead them in a fairly regular way to be taken advantage of by companies.

I’ll just give some examples – if you look on the back of the solicitations that you probably get every week – not in the main disclosure box, but in the back somewhere, point six – it’s buried somewhere – is a line that says, “We reserve the right to change your interest rate at any time for any reason.” This company is essentially saying they can do whatever they want. Is this disclosed? Yeah, it’s disclosed. It’s on the back. It’s in little print. Are most people worried about it? Not really. For various reasons, people tend to focus, they get excited about 0 percent interest, 90 days whatever. What’s the consequence of this clause? It’s a practice known as universal default.

What it means, if you’re a struggling family and you just put a refrigerator on your credit card, paying a \$1000 or \$1500 for your refrigerator, you’re at a 10 percent interest rate – you’re making your payments on time, regularly. Something happens to your credit score. Maybe you take out a home equity loan. Maybe you get into a fight with your electric company. Maybe you get another credit card. Those are all things that can drive down your credit score.

What happens then? The company can, unilaterally and without giving you notice, raise your interest rates from 10 percent to 30 percent or 35 percent. Happens all the time. And the families that this is most likely to happen to are the families that are already in trouble or are already on the edge. And so you go from having \$50 to \$100 or \$150 in finance charges on your bill. It can be really unmanageable – one of the main reasons that we see a huge correlation between credit cards and bankruptcy filings.

And I can multiply examples like this. It used to be that companies would, if you went over the limit, they would either decline the charge or they would let you go and give you a grace period to make it back. Today what they will – they’ve discovered that this can be a profit source for them, by letting you go over the limit, and then charging you a fee of \$40 for going over the limit. And, again, the families hit by this are the families in the greatest trouble.

So the question then becomes, if this is, as I think it is, a real sap on the economic wellbeing of lots of families that are already in trouble, what can we do about it? I think a traditional progressive response, which I have some sympathy for, would be to create limits: limits on fees, limits on interest rates. We actually had them for most of our history; it was not the end of the world having them. But there are problems: two I think. One is the substantive problem that you cut off access to credit. And one is the political problem, which is that it will again get progressives in the position of telling people

what's good for them and you're not in a position to use this credit well. I don't think that's a great message for us to have, and often people do use credit well.

What's a better approach? It's actually to empower people with information in a form that they can use, give them more choices. It's like the 401(k) example that Paul gave. We could do a lot with changing default rules. Companies that I gave this example about universal default where they hike your rate from 10 to 35 percent, they said, "Well, we need the ability to do this so we can charge you a lower interest rate." It's not at all clear that's true; lots of companies don't do it. But fine, say to consumers in initial solicitations – you can't bury in little print that you're going to do this to people. You get just have it buried in point six in the back in tiny print. If the consumer wants to say, "I don't like this deal that you send me, send me back the credit card with all the poison pills," fine, let them choose to do that, but don't bury it in the small print.

Again, with the over-the-limit fees. Let consumers choose, let them say, "Yeah I want this special protection where you're going to let me go over my limit and then charge me \$40," but don't just stick it to them. Tell consumers, if they're only making minimum payments, which is something like a third of consumers and they're paying huge interest rates and huge fees, tell them: "If you keep making minimum payments, you're going to pay two or three times these minimum payments in interest and penalties."

This is something that a lot of people in the consumer movement have pushed for for a long time. It sounds like a little thing, but it's so little that when California passed a law to require this, the companies went to court to stop it from going into effect because it's not in their interest for people to have this information. Simple stuff can make an enormous difference to people.

Just close by talking very briefly by talking about the politics and how I think this fits into a bigger story. I think substantively it's interesting: I think all Karen and Kevin and I are all talking about, I think, issues that are not in the traditional issue grid and they're also issues, I think, that don't have cost to the government, unless I'm wrong, which is an interesting feature of them. I think that's an important feature for progressives. We have an agenda that is costly, that requires that we get more revenue and involves government programs and we shouldn't walk away from that, but I think if we can show that we can empower people not through measures that require tax increases, but through measures that require that we just stand up for people against companies that are exerting more power than they should, that's a useful thing for progressives.

And the second point, I guess two points about why this is increasingly important right now: one, as we all know, we're in a huge fiscal hole. The likelihood of getting lots of money for the things we care about most is not that great: this is useful stuff to be talking about and important.

And the second point is that in terms of – as we think about the balance between corporations and individuals, corporate profits as a share of GDP are at their highest share in a very, very long time and wages are at their lowest share, which seems to me to be a reasonable indication that some modest measures to restore some balance between the power of corporate entities, which are very important and very useful, and the power of workers would not be out of line.

I'll just close with a few political points about why I think that this is a useful and important agenda. One is it reconnects us with regular people. This is – I think we worry a lot about global and international issues; credit cards seem small, people make fun of it. This is something everyone deals with in their regular – in their ordinary lives. It's not credit cards, by the way: it's mortgage lenders, it's payday lenders. I could go on about those, but I won't.

And the last point I think is this is about – this is about the actual ownership society. If we're going to have an ownership society, the first thing we've got to do is get people out of debt, and huge amounts of debt. If you're digging out from your credit card, you're not in a position to own, so I think this is part of the real ownership society. And I'll leave it there.

MR. DIONNE: Thank you very much. As Robert was talking, I looked at the subscription card inside the *Washington Monthly*, and they guarantee you the same price for up to three years, so you don't have to worry about sort of clause six on the back of the subscription form.

Now, who wanted to go next? I had the list here and I just realized it was alphabetical. Do you want to, are you –

KAREN KORNBLUH: Go ahead.

MR. DIONNE: Go ahead.

KEVIN DRUM: All right. I think the credit industry is sort of going to take it in the shorts in this session because it turns out that my article is also about the credit industry. In particular it was about the problem of identity theft. And it turns out that what I ended up writing about was really about incentives and it was about how to give consumers the ability to incentivize the credit industry to solve a problem that they themselves have created. Let me give you some background first on the problem of identity theft.

I think everybody knows what it is because it's actually been in a lot of advertisements lately; pretty funny advertisements, too. But what most people don't know about identity theft is how easy it is. You sort of think of very sophisticated rings of people stealing identities, but it turns out that it is unusually easy to steal someone's identity. You don't need very much. You need a name, you need a Social Security number; and a not much more than that. You send in a credit card application in the

name of Paul Glastris, and I send that in, I send that in under my address, and I've got his Social Security number, and that's all it takes.

A few days later, I've got a credit card with his name. The bills get sent to me. Of course I don't pay them. And I've just stolen his identity. And he has no idea what's happened. And that's all it takes. It's very easy to get hold of somebody's Social Security number. There's a thousand different ways of doing it. And credit card companies are eager to issue credit cards to people with virtually no checking at all. It's not just credit card companies; it's oil companies, it's retail outlets, it's mortgage lenders, it's car auto-finance companies. They're all willing to issue credit with very little in the way of background check, very little in the way of checking to make sure it's really you who applied for that credit. So that's the problem: it's easy to do, and there's very little checking to keep it from happening.

But who pays the price for it? Now there's the problem. If your identity is stolen, you don't know about it. You're not going to find out about it until the next time you try to do something, you try to take out a credit card of your own, you try to refinance your home mortgage, and somebody won't let you do it. They tell you, "Sorry, you've got a bad mark on your credit report. We're not going to give you this credit card. We're not going to let you refinance your home." And you say, "What? What are you talking about?" And then it's all up to you. Nobody's going to help you with this. You're going to find out that your credit report is completely screwed up – it's got a thousand black marks on it because these guys have – they've got credit cards from a dozen different places. They've got loans. They haven't been paying them off. You've got a dozen black marks on your credit report and you didn't even know about it, so you're going to spend the next five years of your life trying to clean this up.

And if you talk to people who have suffered from this, they will tell you, "I would rather have my car stolen, I would rather have my home broken into, than to ever have this happen to me again because I spent five years doing this. Nobody would help me. The credit card companies didn't care. The credit reporting companies didn't care. I was getting phone calls at 2 a.m. from collection agencies because they didn't know it wasn't me, they figured I owed money to somebody."

Now, the problem with this is that the consumer is the one paying the price; not financially so much – there is some financial price – but the price they're paying is five years of hell trying to get their credit report cleaned up. But they're not the ones who did anything. They're not the ones who can solve this problem. The only people who can solve the problem are in the credit industry. They're not the ones who have the incentive to fix the problem.

So what I wrote about is, how do we give them the incentive to fix the problem? And here's the approach that I came up with, which is we need to figure out a way allow consumers and their lawyers to sue credit card companies when they issue credit wrongly, when they lose your name. If somebody – a few months ago – you all remember ChoicePoint managed to lose 140,000 pieces of personal data from their

customer base? We need to figure out a way to allow people and their lawyers to actually sue these people who do this in order to give them an incentive to figure out a way to keep it from happening.

Now, there's a problem with this. First off, individuals can't do it. No lawyer will take the case. A single individual case of ID theft is worth \$1,000, it's worth \$10,000, it's worth a tiny amount of money: no lawyer is going to touch it. The only way to solve this problem is to allow class action suits. There's a problem, there's a technical problem with class action suits here, and namely that the damages are very, very hard to assess. You can't bring a class action suit unless you can assess damages, and that just stops this in its tracks.

So the technical solution that I wrote about was legislating something called statutory damages. And what statutory damages means is that you write a piece of legislation where you simply set damages for things. For example, losing a name that is a name that is in your database with personal information – if you managed to lose that, if you get hacked for any reason, or if you just take a floppy disk and you leave it somewhere where someone can find it, you pay \$1,000 a name. That's that statutory damage. You can go to court and you'll get \$1,000 a name. For issuing a bad credit card, maybe it's a different amount. Maybe it's \$10,000 for issuing a bad credit card. You set amounts for these different things.

Technically what that does is it allows class action suits to happen. They don't get thrown out immediately because you can't figure out what damages were actually involved. You've got damages, you can bring the suit. The end result of that suit is going to be that whoever lost the names, whoever gave out the bad credit cards, the people in the credit industry who caused this problem in the first place, they're going to pay the price. It's going to cost them \$100,000,000. It's going to cost them \$200,000,000 when this happens.

Well, guess what's going to happen when you do that? They're going to figure out a way to stop it. You don't have to create a telephone book-size regulations telling the credit industry how they need to safeguard their data. Don't even bother. Don't even tell them. Just tell them if you don't do it, you're going to pay a big price. And guess what, they're going to figure out a way to do it.

Here's a good analogy: 30 years ago, the Truth in Lending Act mandated that if your credit card got stolen you are only responsible for \$50 of the bad charges. Guess what happened? Credit card companies have figured out very, very sophisticated ways of cutting down on credit card fraud. The only reason they did that is because they are the ones responsible for most of the money. Once you made them responsible for that, they figured it out. And that's the glory of capitalism is, you know, once you make people responsible for this, once they're going to lose some money on it, amazingly, things that they said were impossible to do, they suddenly figure out a way to do. And that's what would happen here.

So the key thing here is figuring out a way to give consumers the power to make the credit industry responsible for their own mistakes. And it's not a matter here of proving negligence or anything like that, it's just saying, "If you do this, if you lose names, if you issue bad credit cards, you are going to pay. And now it's up to you. You guys figure out – you guys figure out the solution to this." And they will. They will figure out the solution to it.

The reason that corporations – by the way, when I say class action suits, the first reaction, even among liberals, the initial reaction is usually: yuck – class actions. Oh my God, it's tort. It's horrible stuff. Well it turns out – and you know, that's not surprising. After 30 years of Republican propaganda about lawyers and tort, that's how everybody feels about it, but the fact is there is a good reason why corporations hate class action suits and why they hate tort in general. The reason they hate it is because it works pretty well. They pay a lot of money out in this. And the damages mostly go – unlike what people think, those damages mostly go to those people who suffer the damage. It doesn't go to the lawyers. About 80 percent of the money in most large class action suits actually goes to the consumers who have been damaged. About 20 percent goes to the lawyers. That's actually a pretty effective way of moving money from the people who caused the damage to the people who suffered the damage, so it's a very effective way of doing it.

There are other ways of doing it. There are regulatory ways of approaching this problem. The reason that I chose to write about it from the tort perspective was mainly because it is a good way of getting the broad point across that there are financial incentives involved here. One way or another, you have to make – the people who are responsible for the problem are the ones who need to pay the price for the problem. The tort approach makes that very, very obvious. If you cause the problem, someone's going to make you pay for the problem.

MR. DIONNE: Thank you very much. I was thinking as Kevin was talking, what if I just told you that the person next to me is not actually Kevin Drum, and that this is actually political identity theft and the real Kevin Drum is a lobbyist for the credit industry. And I vouch for him, he is Kevin Drum, but it's the ease with which this could happen, it's remarkable. Thank you very, very much.

And Karen has a very powerful and interesting piece in here which actually draws on a successful program in Britain on flexible time and, as I said, anybody with a number of children, or even one, is going to appreciate this piece. Karen, thank you very much.

MS. KORNBLUH: Thanks so much. And thanks to Robert and Anna and CAP for organizing this so I could meet my co-writer in this series, Kevin Drum, whose blog I read all the time, and I'm not just saying that because he wrote something generous about my piece. And E. J. is such a pleasure to be on a panel with because he's so not only brilliant, but generous. I remember the first time I was on a panel with him, I'd struggled so hard to write an article trying to spell this picture that everyone has in their mind of the frivolous soccer mom and that the policies I was talking about were for this woman with too much leisure and an SUV and the Starbucks coffee, and he said "Oh, what you're

talking about is the Burger King mom,” which I just loved. And he didn’t mean the mom who was stopping at Burger King, although that’s a good image too, but the mom who has to bring her kid to work at the Burger King to do his homework because it’s a snow day and he can’t go to school and she can’t take off from work. And I think I’m going to call my book “The Burger King Mom.”

That’s what I want to talk about today is some policies that would actually help that mom, the mom – none of you are that mom. If you can take off at 2:30 on an afternoon and come hear us talk, you have flexibility, so it’s not you I’m talking about. It’s the rest of the population really.

MR. DIONNE: You can all leave now and get a burger. (Laughter.)

MS. KORNBLUH: So we have this image in our mind also of the Ward and June Cleaver, the breadwinner and the homemaker. And in the 1960, that was the reality: that 70 percent of families had one parent – the guy – in the workplace, and one parent – the mom – at home taking care of the kids or taking care of a sick, elderly relative. And that is completely reversed that by 2000, 70 percent of all families were what I call “juggler families,” so you either had two parents, both working, both with responsibility for care-giving, or you had a single parent who was both working and taking care of kids. A dramatic change, but has the social contract or the workplace kept up? Not at all – still stuck in that old model, so that 45 percent of employees now say that work and family responsibilities interfere with each other, millions of kids are left in substandard childcare or they are left home alone after school. A snow day or a sickness is a disaster.

There are people like us who have flexibility, but we’re the ones with the leverage. We’re the ones who are paid more, have better benefits, and have skills that our employers are looking for and so they are willing to give us also flexibility.

And there’s a law, actually, that is part of social contract that we’ve all come to know and love: the Fair Labor Standards Act was passed in 1938 and that actually created the 40-hour work week. And it does give you – it does give some workers some control over their time. It says that any time you work over a 40 hour week, you’re paid time and a half, but it applies to a diminishing portion of the workforce. It’s non-exempt hourly workers. And it doesn’t include all the things you wouldn’t have thought of in 1938. It doesn’t include the right to refuse overtime if you have to get home to pick up a child. It doesn’t include a minimum number of sick days, so there’s no right to any sick days in this country, let alone vacation time. It doesn’t include paid family leave when you have a new child. We’re the only industrialized country that doesn’t have that.

Because of the Family Medical Leave Act, of course, now you can take time off if you work at a large enough company, when you have a child and have your job protected. And it doesn’t give you any flexibility during the week, which wasn’t necessary when you have a caregiver at home and when you worked in an assembly-line economy. It probably wouldn’t have made sense for the company. It wouldn’t have really worked.

But what do we do now when we have a completely different family and a completely different economy? Well, just as with the rest of our outdated social contract, President Bush has a solution. He understands your pain and he's decided to privatize it. So he has an idea for comp time – so-called comp time, and what that would mean is that you would be able to supposedly negotiate some kind of arrangement with your employer instead of getting paid overtime. But what it really means, because all the power is given to the employer, is it's just undermining that 40-hour work week to the extent that it still applies to a lot of workers that don't have any leverage. So it's just – it's privatization which is analogous to the privatization that the Bush administration wants to do on so many other social contract provisions.

And this has been fought tooth and nail by progressives and by unions, and they're right to fight it. But that still leaves us with the question, what do you do if you want to modernize instead of privatize? And that I think is the question that all of us are grappling with on this panel. If you say it's outdated, you can't just fight against change; you have really do something to make it work for today's families and today's economy. And again, that's what President Clinton did with the Family Medical Leave Act: he updated the Fair Labor Standards Act. It was a huge applause line for him in '92, in '96. It showed people that he got what was going on in their lives.

So how would you do that? There are a number of things that we need to do: we need to have paid leave, we need to have sick days, we need to have child care. But the idea that we explore here in this article, which is based on a paper that I did while I was at the New America Foundation, would give parents and caregivers time during the week for their family responsibilities. And it's modeled, as E. J. said, on a policy that Tony Blair has put into place.

And Blair – we haven't really paid attention to this in this country, but he has made dealing with this new family and helping working moms and dads a centerpiece of the new Labor agenda. They've done paid maternity leave, paternity leave, child care, all out. But what they did in 2003 was they enacted a new law called the Right to Request Flexibility. And it lets parents with children under the age of six – it's a process right: you have a right to file a written request with your employer for a change in your working hours, or comp time for telecommuting, flextime, job-sharing, or part-time. And the employee has to explain how the new schedule is going to work and they have to offer solutions to any inconvenience that it might cause the employer. The employer has to meet with the employee within four weeks and then has to give an answer within two weeks. And they are not obligated to approve the request; they can refuse for a number of broad reasons including that it will increase their costs or that it will hurt their ability to meet their consumers' demands.

Nonetheless, it has been incredibly successful. After the first year, nearly one-quarter of all the eligible employees reduced or rearranged their work hours; and of all the requests filed, 86 percent were granted either partially or in full. And the Association of Human Resource Managers there found that most employers reported no significant problems in complying – incredibly successful.

So why did it work? Three things that I think are really important for us to remember and that we forget. One is public education. They launched a huge work/life balance campaign. It was a public education campaign directed employers to say that flexibility is a productivity enhancer in the global economy. This is what you want to do for business reasons. They encouraged the creation of a group called the Employers for Work/Life Balance which helped work with other employers that had – employers that were already doing it work with other employers, showcasing best practices. They created a grant program for companies that would move early on this and they could use the money to hire a consultant to help them implement flexibility. And what this forced employers to do was, in addition to all the education – I'm sorry, the other thing it did was it forced employers to really take another look at how they keep their books and their assumptions.

And I used to be a management consultant, and I have to say, a lot of companies out there are keeping their books based on a lot of assumptions and they often don't realize the cost of changing something because they just haven't desegregated their costs in the right way. And this forces an employer to say, "Gee, what will this really cost me? Will it cost me anything? Can I actually get some benefit out of this?" Because they have to have that dialogue and they're going to have to justify it.

Now, of course it also depends on enforcement. And you really have to think about how to enforce something like this. If you think about it in the U.S. context, it's almost a balancing test where they have to accommodate the needs of the workers in a similar way to ADA unless it would impose a hardship on them. It's very soft language in the U.K. because they can rely on a very strong labor movement and these councils that exist within each company to enforce them. So we would have to have, if we implemented this here, stronger language about why an employer could refuse.

I think the big thing to think about as we think about whether or not this would work here is that what's needed as a social clique. What's needed is the kind of change of mindset that says to people – the kind of thing that would happen with child labor, the kind of thing that happened with discriminating on the basis of race; that that's just not okay and I've got to find a way to keep my business running and to make a profit without relying on something that just doesn't make sense for society – and not allowing parents or other caregivers to have a life to spend time raising the next generation of citizens just doesn't make sense in that same way. And so I think a public education campaign around an actual policy proposal can cause that kind of social clique to happen.

And I just want to – I don't want to go on and on and on, but I do want to close with just talking about the politics a little tiny bit. That in addition to working parents, there are 22 million working Americans who are caring for another adult. They're caring for an elderly parent, a spouse, or so on. And these people do not feel that there's an answer there for them from their government. They often feel that it's their own fault. They don't understand why they're not June Cleaver or Ward Cleaver. And there's a freshness, I think, to all of the proposals that we're talking about here because they're not

the kinds of things that government usually talks about, in part because they respond to changes in people's lives that have occurred over the last decade or two, and they don't fit neatly into a box of big government program or privatization. And I think that modernization that we're going to work with the government, but we're going to update it to actually meet your needs and to empower you, I think has a political appeal and shows that folks are really thinking of the needs of their citizens and are on their side. So I urge progressives to take a look at what Tony Blair has done.

Thank you.

MR. DIONNE: Thank you so much. By the way, that was a very kind comment on Burger King mom. I should report that the person who invented that term as far as I know is actually Jim Wallis, the author of "God's Politics."

MS. KORNBLUH: Oh, really?

MR. DIONNE: And he gives a powerful lecture on, I don't like to steal from other people, at least like identify theft or good line theft. (Laughter.)

I love this issue because one message is that it takes a government to fight identify theft, to give parents more power over a television program that comes into their homes, to protect individuals from hidden credit card charges, and so forth. And it seems to me important to put these proposals in the context of the history of progressive legislation in the United States. These are new ideas within a tradition that's worked; that the Fair Labor Standards Act that Karen mentioned expanded the rights of employees at work, as did the National Labor Relations Act. The Federal Deposit Insurance Corporation by guaranteeing deposits allows people to choose their bank in full confidence that at least \$100,000 will be protected. The SEC allows you to buy stock – the quintessential capitalist act – knowing that there are certain regulations that keep you from buying watered stock or fake stock. Food labeling is an enhancement of individual right – Pure Food and Drug Act. And even when it comes to the media, I still remember that – I'm old enough – that televisions used to come with only channels 2 to 13 on them and it actually took the government to pass a law saying all television sets – this was before cable – should also have UHF, thus expanding consumer choice by about 80 or 70 channels, simply by an act of Congress saying, "Okay, manufacturers, put UHF on there." So I think these ideas are workable and within a broad tradition.

I just want to ask one or two questions and then I want to open it up. Because I praised the issue so much, I want to sort of take slight issue with one argument that Paul made because I agree with the underlying point but I think there's a danger in putting the argument in a certain way. This is from the headline on your piece, "People like having choice but often don't like to choose." I think progressives on the whole don't want to put themselves in the position of making argument that people don't want to choose nearly as much as they want to make an argument that says that a lot depends on how the choices are cast. People don't run away from real choices; they run away from, if you will, fake choices. In the case of the prescription drug benefit, when conservatives merge

government bureaucracies with private sector bureaucracies, they create Rube Goldberg machines of extraordinary complexity, and these choices are not aimed at empowering individuals, but actually more at empowering the private providers.

And I think one example of how the choice argument can be distorted is if you give an individual two options, one is: you can choose among ten or 15 different insurance policies, but all of them restrict your choice of a doctor, or you can have a government insurance policy that does not restrict your choice of a doctor, the more relevant choice for a lot of people is the choice of the doctor, not whether you can go to Aetna or Blue Cross. And so I'd like you to talk about that a bit.

And then the other question – so much of this is market-oriented and that's all very good, but isn't part of the problem here that there are certain things that we are comfortable having in the market and other things that we're not so comfortable having purely in the market? I think of it in terms of I drive a Saturn – it's always good for a liberal columnist to be able to say I drive a Saturn. You know, it doesn't bother me morally that somebody else drives a Mercedes, but it would bother me morally if somebody has no car at all and can't get out, or no transportation at all and got out of New Orleans. Or it would bother me morally if I have decent healthcare and can afford what I need and someone else has only the option of walking into the emergency room. So I guess I'd just like you to – we could do whole seminars on those two sets of questions, but I'd like you to sort of refine the choice argument a little bit and also talk about this issue of where the market is useful and where we might have qualms about the market.

MR. GLASTRIS: Well, those are two good questions. In this article I wanted to confront the reality of how people respond to choices. And maybe it's politically not appealing to say people like the idea of choice but don't often like to choose, but in many cases that's how it plays out, and I think in our private lives we all know that.

Let me give you an example. When polled, about 68 percent of people say that if they got cancer they would want to be able to choose themselves the kind of treatment they got. People with cancer, 88 percent say they don't want to choose the kinds of treatment they get; they'd prefer their doctor to make that choice. So there's this disconnect in our minds between what we think we want in the abstract and what in reality we are going to want. And that's where I think conservatives got hung up, and I want liberals not to get hung up on that. But it is what you said also, it's not against choice, it's structuring choice in ways that recognize our own fears, our own overwhelmed schedules, the fact that we tend to procrastinate. Give us choices that we can use. And if we structure programs around the idea that people don't have an infinite amount of time to research these things, that people don't have the knowledge and often can't get the knowledge that it would take to make choices in a way that makes them feel secure, then I think that drives how you structure programs.

In the case of Social Security, I agree with you, I think what you found in Social Security in the whole debate is people would prefer that Social Security is like national

security. We don't want vouchers where we can choose individually where our soldiers will go in the world. We prefer the government to make the choice of where the Pentagon is going to put its people, and we trust the government to make that – certain –

MR. DIONNE: There may be some dissent in this particular room on that, but we'll leave that aside. (Laughter.)

MR. GLASTRIS: Right. There are certain things where we do invest the government with the choices and we're happy to do that, but, again, there are other areas where you can – for instance, in this 401(k) automatic enrollment idea that I suggested, where I think there is a role for government to say to employers, "You must automatically enroll your employees in a 401(k) plan and give them the choice of getting out of it," rather than making it available to people knowing that in the course of their day they're probably not going to sign up because they just – you get a piece of paper, you put it away, I've got other things to do with my money, et cetera. It's all right for government to be a little bit what Cass Sunstein calls libertarian paternalism, for government to set up the choices in a way that our representatives think are in individual and our national interest as long as people have options of making the choices themselves. That's I think what I was trying to get at as clumsily perhaps as I did.

MR. DIONNE: Thank you. And then on the market issue, I could let that go unless somebody wants to deal with it because I would like to bring in some folks from the audience. Let's leave it there, and then if somebody wants to talk about the market I always think those are interesting conversations.

My friend in the front here. It's good to see you.

Q: Al Milliken, affiliated with Washington Independent Writers. Do any of you see George W. Bush's MBA education, a first for an American president, helping explain the way he has been attempting to run the country? Do any of you see serious flaws or limitations with an MBA degree or the lack of a law degree, at least when it comes to a leader like George W. Bush?

MR. DIONNE: Thank you. Does anybody here have either an MBA or a law degree? So then everybody can answer this question.

MR. GORDON (?): Both Karen and I have law degrees, right? And I think we –

MS. KORNBLUH: But I'll take my honorary degree right now.

MR. GORDON (?): And I find it completely unhelpful, for what that's worth. (Laughter.)

MR. GLASTRIS (?): I think one way to answer your question is I think within the Bush White House and the broader conservative movement there is this

animating idea that because the private sector was able to foist on their employees defined contribution plans and to have individual employees take on more of the burden of paying for their healthcare that they ought to be able to do that in the government sphere, too. And I think what they're finding out is that employees more or less have to do what their bosses say unless they have strong unions, and most don't, and voters don't. Voters can fight back. Voters can say, I don't want to have my retirement security undermined, thank you very much. And I think maybe there was a kind of blindness there – the assumption that voters share the president and conservatives' view that less government is always better, less government means more individual freedom, therefore people will be willing to do this. And they're finding that people agree with them in the abstract, but not in the particular. When the president was successful in convincing the American public that Social Security had a problem, but overwhelming the public chooses solutions like raising the cap on Social Security taxes that would bring more money in the system; hence, more bigger government, not less.

MR. DIONNE: Karen?

MS. KORNBLUH: Yeah. I just think there's this idea that goes back and back and back in the American tradition of deciding what you want to counterbalance, the power of the big economic interests or the power of an over-powerful government. And you want to protect people's liberty and so you have to figure out how to take that on.

And a lot of the – something like the Fair Labor Standards Act was meant to counterbalance the – if you were thinking of a negotiation between an employee and employer, the employee didn't have very much power, and so how are you going to back them up and give them the power to negotiate with their employer – this big economic interest?

And certainly by the time of Gingrich and then going forward, we had this idea that the government was the problem; that government had too much power and government was getting in the way of individual liberty. And I think President Bush has taken that to an extreme. Well, we're going to protect people, we're going to protect the free market, employers, from this over-powerful government that gets in people's way. I think what we're talking about is – and I think a lot of Americans are very open to that and have been very open to that line of reasoning; maybe a little bit less so now than they were 20 years ago. But I think the challenge for us is to figure out how we can come up with policy ideas that empower individuals against – while they're operating in the market. So if you're negotiating with a credit card company, you don't have a lot of power – if you're negotiating with an employer, if you're not negotiating with a cable company. Give them some power to negotiate without seeming to create a new government bureaucracy that's going to somehow be seen as interfering with liberty.

MR. DIONNE: I just think Al always asks interesting philosophical questions. It seems to me that – what is the difference between an MBA and a non-MBA? It would seem to me that an MBA is more likely to think that 90-plus percent of the time corporate interests overlap with the public interest, and non-MBAs in different numbers would say

that number is lower. I can imagine somebody on the left would say it's 10 percent, somebody in the middle would say it's 50 percent, but certainly lower than that. And I think the other thing is, you see it most clearly, and it's not just President Bush, is on tax policy. Should tax policy benefit wealth or work, or to put it in a conservative's terms, investment or work? Why should capital gains and dividends be taxed at so much lower a rate than income earned from wages? And so I think a certain business orientation gives someone certain preferences on this. They're not automatic. Not everybody who has an MBA believes that, but that's my hunch of the reality here.

Does anybody else want to comment on that?

MR. : I would just urge everybody to keep Dilbert in mind whenever you think of MBA's.

MR. DIONNE: Maybe we should always keep Dilbert in mind. That's a great idea.

In the back of the room?

Q: My name is Lee Diamond. Thank you. I'd like to bring up, if I could, the topic of privatization generally, while also recognizing perhaps one caveat, which is that we know how well an infamous unnamed corporation did in responding to Katrina versus how FEMA did. But it seems to me that like when you look at the military and other areas where we seem to be rushing to privatization, you reduce accountability and perhaps even raise costs.

I'm wondering how you would suggest that we frame that issue, if we could frame this overall, in terms of our response to the way the Republicans seem to be pursuing this. In other words, putting this set together with this sort of human needs things you're talking about today.

MR. DIONNE: That's a great question. Who wants to – it's a hard question, too. Who wants to take that on?

MR. GORDON: It is a hard question. It strikes me that the problem on both the left and the right as to how the sort of categorical approach about either privatization is always good or it's always bad, and there are contexts like the healthcare system where we see extraordinary inefficiencies in the private sector and the government often doing pretty well. I learned some of this from the *Washington Monthly*, actually, writing about the VA system. And so having an embrace of privatization for its own sake or private entities, and because of peculiarities in the healthcare system, laying everything at the doorsteps of individuals who for various reasons are not going to be the best consumers often does not make sense.

At the other extreme, there are, as we all know, examples where government programs are highly ineffective and private entities can do better. Sometimes we get into

those things and they don't work very well. Sometimes they work better. And I guess it strikes me that it's an area where – some version of Oliver Wendell Holmes, that a page of history is worth a lot more than a lot of theory.

MR. GLASTRIS (?): Well, I guess I agree with Robert. It's hard to make **hard-and-fast** rules about privatization. I think in the hands of the wrong administration it becomes not privatization, but **cronyization (ph)** and you outsource money that used to be filtered through federal bureaucracies with some accountability to contractors who then kick back money for your campaign and you can place your people there, and it's the creation of a machine, and that's what I think we've seen in certain American cities in this country and what we've seen in Washington in the last five years.

So in general, right now – if you'd ask me 15 years ago, I thought there was a lot of benefits from privatization. Today, the negatives seem to outweigh it. But again, I don't think we should necessarily have a hard and fast rule. But I think we should remember that it is a progressive tradition to use government to create markets for things, that we don't always have to use government to create government bureaucracies for things. An example might be the G. I. bill where what we did was give individuals the ability to – who had served their country, to go to college. And without meaning to, we wound up creating the knowledge industry that way. Or the 30-year fixed mortgage, which is another New Deal creation where federal rules allowed for a mortgage over many years amortized so you're paying off only the interest at first. Well, that created the suburbs and the middle class. It didn't create a big bureaucracy. It was a way for government to affect positively the private markets.

And I'm not sure there's a whole lot of play left in the whole downscaling and outsourcing of government – maybe some more. But I think the new – to the extent that there are new vistas for progressivism, new things that need doing, I'd hope that progressives would keep in mind it doesn't necessarily mean we have to create a new bureaucracy to do it.

MR. DIONNE: I just think the problem with the difficulty you raised, and it's a good question – it's one of the reasons I like this issue because it's a practical look at this, is that a sort of fiercely ideological view of privatization is almost certainly wrong. I mean, no one is suggesting that the government needs to purchase a lot of cars, and therefore there should be a government car industry that will produce cars for the government. That's at one end. At the other end, there are – I think, although we may be moving that way, believes we should privatize the military, or there's a lot of controversy about privatizing prisons. So it seems to me that there is some range of options where we're all privatizers in certain respects, and almost all of us are not privatizers in other respects. And I think the other question which this issue raises is, you can use market mechanisms to appropriate ends without necessarily privatizing everything or throwing everything into the market.

The gentleman in the back. I'll just kind of move up and I'll get to you, sir.

Q: I'm Doug Weinfield. Let's mention two salient names. Both Hillary Clinton and Mark Warner have recently discussed the importance for Democrats and progressives generally to couch their arguments in terms of moral values. So I'd like to ask each of the panelists to briefly state what the progressive values are that underlie their policy recommendations today.

MR. DIONNE: See, ten years ago everything was supposed to be cast in market terms. Now it's supposed to be cast in moral terms.

Paul?

MR. GLASTRIS: I think that it's value of individual freedom and power, and which vision of government today can offer Americans more freedom and more individual control. And what I like about these four or five ideas is that each of them vests individuals with more leverage, more control, more choice in their role in the marketplace. And the president and the Republicans talk a lot about freedom; Democrats have shied away from that term in part because of the way Republicans do talk about freedom. And I think this is a way for us to reconfigure how we think about things to reappropriate that value.

MR. DRUM: I think in the case of my article I would sort of say that I'm turning around something that's become a Republican watchword, and that's responsibility. The problem with a lot of conservative policies is that they give to corporations benefits but they don't give them – they don't require of them the responsibility that they ought to have from getting those benefits. In the case of the article I wrote, I was talking about identity theft and the fact that to a large extent the credit industry is responsible for it, but they don't pay the price for it. They're not made responsible for it. And I think that progressives ought to insist that to the extent that free market policies give benefits to corporations, corporations also need to take responsibility for some of the things that happen because of those benefits. So keep the responsibility all the way around.

MR. DIONNE: Karen?

MS. KORNBLUH: That's easy for me. I love that question. And I think that's one of the most important things about this topic that I like to write about, is that it is about families, kids. We haven't found a better institution for raising our next generation than the family, and yet too often government doesn't wind up on the side of parents, and I think progressives have gotten themselves all tied up in knots about this; that we think that if we talk at all about the modern realities of the family we're aligning ourselves with radical feminists, not realizing that 70 percent of families, at least, can relate to this kind of agenda. Because those are just – 70 percent are just the ones who have all parents working now. It's not the parents who were working, had to leave work because they couldn't find a part-time job or are taking a couple years off but are afraid they're not going to be able to get a job again when the child is older because there's no easy on-ramp into the workforce.

So I think when – I was amazed when the day after the Democratic convention President Bush brought out a new stump speech and he used it almost every single day until the election. It was his convention acceptance speech, and in it he had two paragraphs about how it used to be that you would get your pension and your healthcare from your employer and it used to be that the only person working was a man. Now, two-thirds of mothers are in the workplace and we have to be on their side. This was President Bush. We progressives haven't really found a great way of talking about working moms. We're afraid to talk about it, but President Bush managed to do it.

Now, what did this lead into? It leads into his call for an ownership society and comp time. And our policy – a progressive policy would be a much better fit and actually help these families, and it's right on the moral issue.

MR. DIONNE: And the last entry in this sweepstakes.

MR. GORDON: And my thanks for putting me last. (Laughter.) Choice, responsibility. I would add some maybe values at the other end of the spectrum: fairness and stewardship. One of the questions, which I think was an old idea that corporate CEOs recognized, and one of the questions is just because you can do it, should you do it? Just because you can send solicitations to someone who is already in deep trouble and behind on loans that have in them somewhere disclosed in small print the fact that you will be charging them a 35 percent interest rate quickly and making it impossible for them to get better credit – just because you can do that, should you do that?

And actually it's interesting because I think this is an area where empowering people with better information and changing default rules which are these very sort of new, interesting behavioral economics, libertarian paternalism. The flip side of that is these are very old ideas about the responsibilities of people with a great deal of power, and of lenders in particular.

Just since you mentioned values and what often goes with that is a discussion about faith. Elizabeth Warren is fond of pointing out that the Bible has a great deal more to say about usury and abusive lending than it does about homosexuality. You would never know that from the way that our politics is conducted today. But I think it's a salient fact that the states – not on credit cards – but the states that have led the way on a related issue, which is abusive mortgage lending, North Carolina, South Carolina – the state that led the way on payday lending is Georgia, so these are issues that have interesting residence across the lines that we're used to.

MR. DIONNE: I just want to put out, who says that people who are serious about policy ideas can't come up with slogans. You just heard freedom, responsibility, family choice, fairness and stewardship, so that's a very compact answer to your question.

Why don't we just work our way up. How much time do we have left? Five minutes.

MS. : Ten.

MR. DIONNE: Ten. Why don't we bring in – could we bring in several voices at once just so people in the audience could get into the conversation?

Q: Michael Bertson (sp). Shouldn't we be about providing the American people with economic and healthcare protection against the harshness of capitalism and outsourcing? I think Social Security, the minimum wage – I think those were some of our greatest programs, and I think you can see in the news now pensions disappearing. Average Americans want some economic security in their lives, and in an economic system that's becoming increasingly dangerous to them, and I think we can speak to that because I think it's pretty obvious that Bush and the Republicans really don't care about that, so maybe we can take that.

MR. DIONNE: Thank you. I'm going to hold that comment. Who else? The gentleman over there.

Q: (Off mike.)

MR. DIONNE: Could you wait for the mike?

Q: Sorry. One word –

MR. DIONNE: And could you identify yourself, please?

Q: Oh.

MR. DIONNE: I was supposed to say that a while back.

Q: Yeah. My name is Dan Neufelt (ph). My question was, one of the words I didn't hear a minute ago was security. Empowerment and stewardship and things like that; the one thing that all these seem to have in common in security. And I was wondering if you think there's a way to frame the issue that can incorporate that word, or whether you think that's something that should be avoided?

MR. DIONNE: Thank you. And why don't take this gentleman who's been very patient who's up in the front here.

Q: Bill Taylor. One of the common elements of almost everything people have been talking about is the question of choice. And my question about that is, it seems to me it depends often on how much information does a person need to make a sensible choice, and who has access to that information? If I put it in personal terms, I'd say that an unnamed old guy may wind up spending most of the Thanksgiving holiday trying to figure out what the choices are on drug prescription, or maybe not. But the problem is that – now, some of your solutions don't depend on the exercise of choice and are really more prescriptive or regulatory, like your identity theft question, but to the extent we're

talking about things that do depend on choice – you mentioned education for example – most of the people who make assignments of children to school and public education are not very interested in giving – in ceding that power to parents or other people and will not provide them with a lot of information to enable them to do so. If you talk about the history of FHA, you talk about whole groups of people who were excluded from participation. So my question is, is there thought being given across the board to how you create information systems which will make choice work in these various fields?

MR. DIONNE: I think those work together well. The first was, why not healthcare and economic security? The second was, why is the word security not on that list, is it a good or a bad word? And the third is, what kind of information do people need to make a sensible choice? Who wants to –

MR. GLASTRIS (?): I can talk to the third one probably best. And that is, I think you're right. I think that there are embedded – and we could have gone into more detail to explain this if we had the time. Robert talked about it. Why not provide credit card holders with the information the credit card companies themselves have? Credit card companies – Robert, correct me if I'm wrong, they know what your tendency is to underpay your bill every month. You might not know that just because one doesn't monitor one's own – we all kind of exaggerate what we're going to do, are optimistic about how we're going to pay off our bills. What if they gave you that information? Wouldn't that empower you to say, hey, I probably shouldn't take on this extra credit card?

In the case of healthcare, we talked about allowing people subsidy – giving people subsidies to buy in to the federal government's – the civil servants' healthcare system. That's the Federal Employee Health Benefits program. What that does is it forces the companies to provide apples-to-apples comparisons on price, on doctors, on things – when you go out on the healthcare market and you try to figure out how this plan compares to that plan, it's impossible. This is the problem people are having with the prescription drug benefit. How do you compare in under 20 weeks of study? Well, the federal government, when it chooses its healthcare providers, forces them to disclose in a certain way that makes the choice a lot easier.

MR. DIONNE: Thank you. Any other –

MR. DRUM: I can give you a small but interesting example of transparency and information and how – you need to make it easy. In the case of identity theft, all three of the major credit reporting companies, the companies that keep your credit report, all of them today have programs, you can sign up for them, they cost \$10 a month, and they've got fancy marketing names associated with them, and if you sign up for them they will tell you anytime something happens to your credit report. They will notify you when something happens. Now, that's a great tool. If you're notified every time something happens to your credit report, you will very quickly find out if something bad happens to your credit report. And it means that you can catch identity theft much earlier in the cycle than you otherwise would.

And you've got ask yourself, why do you have to pay them \$10 a month to do this? It's like a Chicago mob racket, right? I mean they're the ones causing the problem, and oh, by the way, pay us \$10 a month and we'll help you solve it. (Laughter.) You shouldn't have to pay \$10 a month for that. The system should be set up in such a way that they should be begging you to make use of that, so they should be begging every customer in the country to sign up for this service in order to reduce identity theft. In other words, make it easy. Don't make people pay to get the information; give it to them proactively.

MR. DIONNE: I just want to quickly on two of those. On the security question, I think there is a problem with the way this debate often happens, which is security is juxtaposed to risk, and either you're for a risk-taking society or you want security. In fact, it seems to me the lessons are almost always that you can only take risks if you have a certain amount of security, and that we're likely to stagnate rather than take the risks we want to talk if we don't provide a certain amount of security.

And on the gentleman on healthcare, I'm fond of the line in scripture, "In my father's house there are many mansions." Even as good as this issue of the *Washington Monthly* is, it does not exhaust the things that need to be done as a country. And at some point we cannot get away from the problem of all the people who aren't insured or inadequately insured. Where some of this thinking might be helpful is in trying to figure out what is the best way to get toward universal coverage. And there I think progressives will have a robust debate among themselves about the best way to get from here to there.

Let me just try a couple more people, and please tell me when I've got to shut it down. How about these three right over here? This gentleman and those two over there.

Q: My name is (unintelligible) Hudson. I have a question for Mr. Gordon. With the recent bankruptcy bill that change to the pay-down rates in which debts can be discharged, do you think this will affect the aggressive lending practices by credit cards and mortgage lenders, and will the market eventually self-correct?

MR. DIONNE: Hang on to that question. The gentleman back there with the red tie, or with the crimson tie if you prefer.

Q: Hi. I'm Dave Weigel (sp). I was thinking of – Robert and Kevin both were proposing – were talking about concepts (unintelligible) in our politics right now about identity theft and credit. I was wondering, if these ideas are actually injected into the political debate, how would Republicans and credit card companies try to co-opt them for themselves and would they be successful?

MR. DIONNE: Brilliant question. And then this gentleman over here. Why don't we get the two of you in, and then I think I've got to wrap it up, so the lady and the gentleman.

Q: If healthcare is the number one reason for bankruptcies, and I believe family change is the second reason, shouldn't one of the biggest solutions to that be to address the healthcare problem since that disproportionately also causes when people go into bankruptcy things like credit card debt to be erased and things like car companies to close – actually today a Saturn factory? Shouldn't we address the healthcare problem as an economic issue if you want to address other issues like credit in other ways?

MR. DIONNE: My own answer is yes, a simple answer. But go ahead.

Q: I think one theme that's run through all the presentations has been a desire to stay away from the ideal of paternalism, the idea that government knows better than individuals what's good for them. But it seems to me that one should acknowledge that people choose agents. If somebody is sick and they don't want to make the choice, they choose a doctor. In financial matters they choose agents. There's a huge market of people who help people make decisions. And government is one of the institutions that people rely on, that people elect –

MR. DIONNE: Great point.

Q: – and choose to help them make those decisions. And especially when the market for information and for decision-making help breaks down because of the self-interest of the people you're hiring, we need government. So I think we shouldn't be too cautious about affirming the positive role of government in helping people make tough choices.

MR. DIONNE: I don't think you're going to get any dissent up here on that.

(Cross talk.)

MR. DIONNE: Closing thoughts. Any response to any of those questions, particularly that lady on healthcare?

MR. GORDON: I absolutely agree on healthcare. And in answer to the very good question on bankruptcy, I actually think unfortunately it's not going to be self-correcting. The problem is going to get worse because it used to be that one of the limits to companies' and lenders' ability to hook you with more debt was that you could go into bankruptcy in discharge your debt easily. That's become much more difficult, which will increase the incentive for lenders to lend you more, have you owing them more, because they will then be able to recover more of that money while you're in bankruptcy, so I don't think it will be self-correcting. I think it probably will probably get worse.

And in answer to the question about the politics. I don't know. I think that the bankruptcy bill passed because the proponents were able to do it quietly. I think as soon as it became a public debate and people argued about it, it was a disaster for them. Unfortunately, that just happened too late. I think if there's a public debate about these issues it will be a very one-sided debate.

MR. GLASTRIS (?): I think that's a good closing thought. And I think that if progressives decide with the power of individuals it's just a very – that's an argument we should want to have. And I want to thank E. J. for not only being a generous and able host, but just understanding and having an interest in the larger issue, which I know the Center does and the *Washington Monthly* does, of what's next for progressivism and how can we mine the rich tradition of progressive or the contemporary realities. And it's always a great pleasure to be on any stage with E. J. Dionne.

MR. DIONNE: Bless you for that. I think the conclusion here is in some ways citizens should have rights within the political sphere and consumers and employees also have rights within the economic sphere, and how do we work that out?

I want to thank the Center for sponsoring this, and *Washington Monthly*, not only Paul and these distinguished authors, but also the editors, Zachary Roth, Amy Sullivan, **Benjamin Wallace Wells, and Christina Larson (sp). They helped put this thing together.**

MR. GLASTRIS: Absolutely. And our publisher (unintelligible) and our business staff. Thank you, everybody.

MR. DIONNE: And thank you all for coming today.

(Applause.)

(END)