

## Starting Over: The Center-Right After Trump A Niskanen Center Conference on December 11, 2018

*PANEL 4: Beyond Small Government — In Search of a Governing Center-Right*

**Moderator: Will Wilkinson**

**Panelists: Oren Cass, David Frum, Megan McArdle**

**Will Wilkinson:** All right, let's begin our fourth and final panel of the day. Thank you for your grit and perseverance, those of you who've toughed it out the whole day —not that you need to tough it out at a riveting event like this one. Our panel is "Beyond Small Government: In Search of a Governing Center-Right." I'll start out by introducing our panelists, and we'll get right into it about where we go next. I'm Will Wilkinson, vice president for research at the Niskanen Center. Here we have Oren Cass of the Manhattan Institute, Megan McArdle of the *Washington Post* — you change your affiliation so often I almost got it wrong — and David Frum of *The Atlantic*. So what we want to talk about in this session is where the center-right needs to go from here. The theme of the entire conference is "starting over." If we start over, what should the recipe be for moving forward?

**Will Wilkinson:** For years, the GOP has been very tightly identified with something you could call movement conservatism, which has a particular formula; sometimes it's called fusionism. There's a libertarian aspect of it: you've got a commitment to free markets, small government, open free trade. And that's combined with social conservatism, which is mostly conservatism on family, sexuality issues, national identity. And then a little bit of relatively hawkish foreign policy. Those things combined are the traditional Reagan formula. Trump seems to have blown this up a good deal with his economic nationalism and nativism. He doesn't seem to be particularly interested in small government at all, but neither do the latter-day adherents of the Reaganist formula. Paul Ryan is leaving his post as the Speaker of the House, leaving the national debt much larger than he found it. There doesn't seem to be a small-government party. And one of the things we want to ask is: Should there be?

**Will Wilkinson:** So the first question I want to put to the panel is maybe a slightly provocative one. At this point in time, it often feels to me that if you're in favor of social insurance programs that ensure that everybody is indemnified against the downside risks of a dynamic market economy, and if you're in favor of the government provision of basic public goods, and if you're committed to a fiscal system that's going to pay for these things (and they're not cheap)... If you're in favor of those things these days, does that just make you a Democrat? Because it almost seems like it does, in a way. If you really care about social insurance, public goods, and a well-functioning system of public finance, why are you on the right at all? So take it away.

**Megan McArdle:** I don't really see a lot of evidence that the Democratic Party, where it is... Oh, sorry. Is my mic not somehow... What? It is on. Sorry, I could just talk really loud.

**Will Wilkinson:** It's on.

**Megan McArdle:** Oh, and there it goes, that seems to have fixed it. So luckily I also have a loud, penetrating voice, as people who sit near me in restaurants are frequently fond of commenting. I look at where the Democrats are headed for in 2020... I'd love to see an Amy

Klobuchar kind of Midwestern, sensible moderate as the Democratic presidential nominee, and I don't really see that that's where the Democratic Party seems to be heading. So I would ask, if you are someone who thinks that you need to pay for your commitments, do you have a party in America at all? Because I honestly... I look at who's becoming influential on the left, I look at the academics that are becoming influential on the left, I look at the power that the University of Massachusetts Amherst Economics Department seems to have suddenly gained in the debate. They are, for those that don't know, a heterodox department that does not follow the general Clinton pay-for-what-you-buy sort of...

**Will Wilkinson:** You can magically mint money.

**Megan McArdle:** Right, exactly. They're really big into the [notion that] you can magically mint money because we print our own currency. So I think that the real question is: Is there a party for either of those groups? Because that doesn't... What I see on the left is wanting to have massive expansions of the welfare state without paying for it, and what I see on the right is wanting to have massive tax cuts without paying for it — or cutting the welfare state we already have, which is large and about to grow larger. And so I think that that's actually a bigger question than: Is it the right or the left? Are we just headed for a fiscal crisis? Because both parties are kind of making each other worse. There's this sense in which, “Well, if they're going to be like this, then I can be even worse,” and each party can come up with an excuse for why their little stuff is different.

**Megan McArdle:** You talk to Democrats about the legendary increase in the national debt under Obama, [and they say] “Well, there was a recession.” Yes, there was, but not for eight years. You talk to Republicans about tax cuts, [and they say] “Well, spending money isn't the same thing as giving you back your own money.” But the deficit's still there! We still have to pay for this eventually. I think both parties are headed off into fantasyland on that side of stuff.

**Will Wilkinson:** Well, David, Oren, do you think there's a possibility for the GOP to be that relatively moderate, responsible party? Not necessarily a party of small government in the sense of cutting spending to the bone, but being a party that governs responsibly, that is committed to providing these basic goods, and is also committed to having a system that adequately finances them?

**David Frum:** In Karen Hughes' memoir, she tells a story that I've often thought about in the years since. She had taken an interval of leave from the Bush White House, for a vacation, for a rest, and she was walking along the beach near her home in Texas. She saw up in the air a plane pulling an advertising flier that said something like, “Jill, come back! I'm miserable without you. Jack.” And she thought, “Bad message, Jack. Too much about you, not enough about her.” [laughter]

**David Frum:** And this is a pervasive vice in politics. People with strong political ideas talk about what they care about, what Jack cares about — and there's not enough about what Jill needs. So why was small-government politics attractive at all, ever? And the answer is, well, because between 1975 and 1982 we had a severe crisis in the New Deal order that was bequeathed by the previous generation to the present generation. We had a breakdown... You had inflation, you had oil crises, you had a collapse in productivity. You had a series of very real-world problems to which Thatcherism and Reaganism (and their milder versions in Germany and Canada)... They were responses to real-world problems. So I think we have to

think about all this from Jill's point of view and start with: What are the problems today?

**David Frum:** So, in no particular order... Americans are dying. Life expectancy is going down. On the present trajectory, China will overtake the United States in life expectancy by about 2040. By then, Americans will be the only developed country in which the average age of death is below 80. Americans... And that is driven by this tremendous problem of drug addiction. Meanwhile, the country has chronic fiscal problems. So you have a series... I won't elaborate the list. You have a series of collective problems that demand collective solutions. And then as you address those problems... And different people have different biases and prejudices. So for those of us who tend to believe that markets work, who are skeptical of economic redistribution, who believe that the American past, for all its many faults, contains greater good than it contains faults... Those biases, those instincts — they're not your platform. But they are guidelines, for when you address the issues that concern Jill, that tell you which way you ought to go.

**David Frum:** And I think... Although party systems can become obsolete, from the point of view of the problems of the time, I think Gilbert and Sullivan were right when they said, "Every child born alive is born either a little liberal or else a little conservative." [laughter] And so we have our instincts, and we sort into, depending on the rules of the game, two or more parties. But what has gone wrong with conservatism as some of the older among us knew it in the '70s and '80s is that long after we solved a bunch of problems, we wanted to take victory laps and solve them again. And it remains true that if there's inflation, conservatives know just what to do. The problem is that they know what to do so well that they keep insisting that there is inflation when there isn't.

**Will Wilkinson:** Thanks. Well, let's take up the theme of addressing the actual problems, and I'll address this to Oren. One of the clear things from the last two elections is that there is a very stark divide between the bases of the two major parties in terms of city versus country. There's basically a city party, a multicultural urban party, the Democratic Party, and a relatively homogeneous white, exurban, small-town, rural [Republican] party. And that is really the line on which partisan polarization is breaking — it's basically on population density. Now, that problem is exacerbated by the fact that these are two different economies, and those economies are drifting further apart. So economic production is increasingly concentrated in large cities. And smaller towns, smaller cities, rural areas are stagnating in relative terms. And the people in those places — the Republican base — is older and heavily reliant on Medicare, Social Security, Medicaid, and Social Security Disability. And one of the reasons it seems the Republican Party took a bath in the midterms is because the entire Republican Party went on the record voting to get rid of what became a relatively popular social insurance program that's known as Obamacare.

**Will Wilkinson:** And it seems that if the Republican Party is to have a hope of holding on to power over the longer term, it has to address the problems of its own base: the relatively homogenous, white, rural, small-town, smaller-city part of the population that is really struggling economically. So, Oren, what do you think the GOP ought to do to address the people in these places and the specific problems that they're having?

**Oren Cass:** Well, I guess I would argue for broadening the question just a little bit to what the GOP (or whatever we're going to call the future of the center-right) should do to address the problems lots of Americans are having. There's this concentration that you just described in rural areas that raised its head up a little higher than usual in 2016. But Trump also did way

better than Romney with minorities in 2016. The same problems that we are now worried about in these rural communities are really a metastatization of problems that have been afflicting inner-city and exurban areas for 40 or 50 years. So I think the right way to talk about it is to say: What are the big problems, period? And there the divide is a little bit different. There the divide is really college or no college, for lack of something better. And I think we're better off analyzing the question, not in terms of what did the exit polls tell us in 2016, than what are the actual major divides we're going to see in the country?

**Oren Cass:** And if that's the dimension, that really you have a (roughly speaking) college-educated population that's getting ahead and a non-college-educated population (more than 50 percent still don't have even an associate degree) that's not getting ahead. Sure, there are lots of folks in that second group who are minorities and didn't vote for Trump, but that doesn't mean they're not potentially center-right voters some days.

**Will Wilkinson:** But that's dividing more on partisan lines as well. Whether or not you had a college degree didn't have much of a partisan valence in the past. But now having a four-year college degree is tilting voters pretty heavily Democratic. And [Republicans are] losing vote share with people with a college degree, and have lost basically everyone with a professional or postgraduate degree. So I agree that's a fundamental divide in the economy, but that's also taking on a partisan...

**Oren Cass:** It is, and I think... And part of what has compounded that, I think, is that you saw Donald Trump speaking about problems more in those terms as opposed to in the big government/small government fight that we were historically more used to. So I think that's how we should define the problem. And then I think we ask: Well, how does the center-right define a response to that? I really like the way David described it. Look, the premise of being center-right isn't that you have a particular set of voters or a particular demographic, it's that you have a particular set of ideas and a way of approaching the world. And the question is: How do we take that set of ideas and address that set of problems? And that's going to be the formula.

**Will Wilkinson:** So what are those ideas? Because part of what I was trying to ask is: Why aren't we just Democrats if we want social insurance and public goods? What is distinctive about the approach on the right to solving these problems?

**Oren Cass:** I think historically the idea has been, well, if we just let markets do their thing and we get enough growth, all of the problems will solve themselves. I don't think that is a very good answer. And so I think part of the "starting over" question should be: OK, what else can you say besides that? And so in my view the question comes down to a question of how the labor market operates. And what is it about the conditions our labor market is functioning in that has caused it to leave essentially half the workers behind for 30 or 40 years now?

**Oren Cass:** We can talk very concretely about policy areas. But it means, for instance, in education, that our education reform platform can't be: How do we make this a mechanism of opportunity that gets everyone through college? I understand the political appeal of that. But if you state it in the abstract, the idea that, "Gosh, we have all these people with different aptitudes, different starting endowments, different families. You know what we need? We're going to build a building in the middle of every town, give it a budget bigger than the Defense Department's, stock it with 3 million union employees, and they're going to correct

for all of the problems in people's lives" ... That's not actually a conservative solution at all. I think we need to go the other direction and say, "Actually, we have folks who are on very different trajectories in their lives, and how do we build pathways that meet people where they are?"

**David Frum:** Well, maybe a way to think about this is to look at it from the other side of the hill. In this day and age, with socialism dead, what is it that makes you a person of the left? And what are the kinds of things that you would believe that would draw you that way? And one of the... I would think one of things you believe if you're a person of the left is that human nature is not very important to human outcomes, that most of the things that happen in the world are the product of human design. So if men and women lead different lives, that's not a product of something inherent in them, it's a product of something imposed by society. You believe that society is very malleable, easy to change, that smart people with good plans can consciously design better outcomes than dumb luck and blind nature. You believe that the guilty chapters in American history are bigger and more important than the chapters in which you take pride. You believe that success in life, whether economic or otherwise, is more a product of luck than it is a product of effort, and so people who succeed have a pretty weak moral claim to keep the benefit of that success.

**David Frum:** You can just go through a series of those things. And those are the habits of mind that if you have them — and a lot of people do, and they're not stupid — then you belong in one way. If you don't happen to have those habits of mind, then you belong somewhere else. What will happen is we... You're sometimes presented with pretty hyper-technical problems, and then at that point if you believe in the provision of some social goods, you have arguing around the edges and you get into technocratic debates. But in a way, we're being disrespectful of the commitments that people on the left have if you think that if you're a moderate conservative who is unhappy with Trump that you will be ever comfortable over there. Because they just see the world differently. And that's what makes ballgames. It's good that people see the world differently.

**Megan McArdle:** I think that's fundamentally right, that there is a set of beliefs... And I would also add that because we are talking about policy we are focusing on economic issues, but this goes way beyond economics. I think one way to put this is that if you had told me ten years ago that gay marriage would mean that Christian bakers would be legally required to bake cakes for gay weddings, I would have been like, "That is some sort of crazy conservative propaganda. That's nuts." And I think six years later, that was where you saw the split between center-left people and center-right people who had both favored gay marriage. Center-left people were basically OK with that and/or cheerleading it, and the center-right people were just like, "Whoa, what did I just support?" One way to put it is that most on the left see very little between the state and the individual: "On the one hand, there is the individual, and we want radical liberty in a lot of spheres that the state is just not allowed into at all. And on the other hand, there is the state, and everything that the individual isn't doing is the state."

**Megan McArdle:** And conservatives see a lot more intermediate institutions — the family, churches, etc. — that they perceive to have rights independent of the individuals within them, and which the state is also not allowed to intrude on. One of the things that has been interesting to me, following the religious liberty debate, is the extent to which nice center-left people don't get what people are talking about when they talk about religious liberty. To them it is like a hobby, and it's sort of like saying, "I can't bake you a cake because I am a golfer."

They literally just have some sort of perceptual blindness to the way the right sees those institutions as being fundamentally important in a way that golfing is not. I hope there are no golfers in the room; if there are, I apologize. [laughter] And so those senses are where I think there are still a lot of stopping points to joining the Democratic coalition, in part because as the parties have cleaned up, as they have become more ideologically sorted...

**Megan McArdle:** There's this fascinating article on an abortion rights woman in Missouri trying to get the Democratic Party just to say it's okay to have pro-lifers in the coalition — not to put anything in a platform saying, “We support this,” just to say, “You can be a Democrat and still be pro-life.” It lasted ten days and then an activist went nuts and made them take it out. And on the other side too... This is not me criticizing Democrats, this is fundamentally where the parties are. I should say that the Republicans nominated Trump, and I don't really think he's pro-life. But in general, these litmus tests are, “Either you're with us or against us. Everything for the state, nothing outside of the state.” And these are really fundamental differences in how people see things and how they see people on the other side. So I don't know that you can just neatly switch parties until the parties have changed quite a bit.

**Megan McArdle:** I will add one more thing... Right after Trump was elected, I saw someone on Facebook — a nice guy, a libertarian, I'm very fond of him — say, “Great, maybe now we can finally get a party for all of the educated people.” And I was like, “Are you kidding? That would be a national disaster.” If you were to stick all of the college-educated people in one party... First of all, we're a minority. And second of all, politically that is not a good place to be. But I think that a lot of people think it is a good place to be. A lot of people want all of their college-educated buddies all voting the same way. And I think that that dynamic is actually where we are headed, and I think it is politically poisonous and headed for a political disaster.

**Will Wilkinson:** One of the things that I think is really clear about our politics right now is that the health of our country depends critically on there being two healthy political parties, at least in this system where it's going to always sort out into two major parties. And right now, the Republican Party seems to be not a healthy political party.

**Megan McArdle:** I'm not sure I would define having all the college-educated people as healthy, but...

**Will Wilkinson:** No, no, no, but I think that is a leading indicator of problems within the right, that they're losing college-educated voters that for years they held onto. So one of the things you're seeing in some of the exit polls... As you know, traditionally there is a pretty strong association between higher incomes voting for Republicans, partly because Republicans are the party for cutting your taxes. But that association is getting weaker and weaker because income is heavily correlated with your education level, and education is starting to predict being Democratic. And now it's almost just a push in terms of income. And I do think it's a disaster for the Republican Party if it basically loses all of the educated voters and also loses the wealthier voters who have the biggest stake in the health of the economy.

**Megan McArdle:** Well, I guess I would turn that around. Why is it not a sign of profound unhealth in the Democratic Party that it's losing all of the uneducated white voters? They have done something to push those people out, even as Republicans have obviously done something to push college-educated voters out. Why are we privileging educated voters as if

they are the metric of what the good party is?

**Will Wilkinson:** Well, I don't think it is. But I do think one of the interesting things is that the... You talked about the sorting on ideology, and that the parties are more sorted on it. It's not clear that the parties are more sorted on ideology, because most voters aren't very ideological. Most voters have a lower level of information — they don't engage very much with news — so their views on particular issues are all over the map. The movement of white working class voters toward the Republican Party has all sorts of strange bases. My favorite illustration of low-engagement voters, and how deep the low level of education goes, is in Michael Tesler's book, *Post-Racial or Most-Racial?* He shows pretty clearly that the flight of less-educated white voters to the Republican Party is largely because in the past they just didn't know enough about which party was the pro-civil rights party to align themselves with their views. Once Barack Obama became the head of the Democratic Party, that sent a clear signal that they couldn't miss, even though they weren't paying much attention, that the Democratic Party was the party that was in favor of civil rights. And nothing about their views changed, they just shifted to the party that better aligned with their views in the first place. So some of the sorting is just having to do with aligning relatively nonideological voters with some fairly basic things that they weren't aligned on before.

**Megan McArdle:** Musa al-Gharbi at Columbia strenuously disagrees with this thesis, as I think you know. I mean, you have to explain counties that went for Obama twice and now went for Trump, right? You can't just say that all of the sorting is about race, because obviously some of this is not about race. Or it is about race in some very complicated way which is just not like, “I don't like black people voting”? There are rural counties that went for Obama twice and went for Trump. I think this is about something a little different from that. I think this is about a way in which for all people, the less you have economically, the more attached you are to the cultural ties that support you, the cultural communities that support you. And this is true, I think, of all races, all people at lower income levels. And in some sense the educated class has their own culture that supports them very well and makes sure that they get the lion's share of the economic benefit that has accrued in the last five decades.

**Megan McArdle:** But you have to think about... This is a revolt against the cognitive elite that has managed to in some ways — some of it is natural but some of it is not natural — rig the economy so that all of the returns within the economy accrue to people who have college degrees. I look at my grandfather, who barely finished high school and had a successful small business and lived a very good life in a small town. That is not a life path that is open to people anymore who are born in this country. And we don't care. We kind of shake our heads and say, “That's sad,” and then we go back to not caring and not doing anything about it. Now, I think trade restriction and immigration restriction are not the right way to do it. But the answer to what they were saying for decades was not, “You're stupid, you don't understand anything, and I've got a squash game at 2:00” — which is functionally what we did.

**Will Wilkinson:** Well, let's talk about that, because I think there is a widespread perception both on the left and the right that the economy is rigged, that it's unfair. Trump got a long ways with that. Bernie Sanders was basically running on “the economy is rigged.” And there's good evidence that, in a lot of ways, the economy *is* rigged. It's not working for everybody really well. Now, populist backlashes are often a response to the sense of the distributive inadequacies of the basic system. They're often also a response to the perception

of endemic corruption. The current iteration of the Republican Party doesn't seem to be doing great at anti-corruption — and I want to talk about what the prospects of that are as a basis for starting over. We're in a period of existentially threatening corruption at the level of the presidency. It seems that key tenets of foreign policy are being traded or kind of being bought, more or less, and that's extremely dangerous. But I don't see many significant figures on the right putting forward an anti-corruption agenda. That's going strong on the left: Elizabeth Warren has a pretty good bill that she's introduced into the Senate that tries to make a level effort at making sure that there isn't this sort of endemic public corruption. What do you guys think about that as a prospect for moving forward?

**David Frum:** Well, among the G7 countries, the United States is definitely one of the less honest. I would say it's harder to buy an outcome in Germany, Canada, and Britain than it is in the United States. It's probably a lot easier in Italy and probably somewhat easier in France. And just generally, in the Transparency International perceptions of corruption, I don't think the United States is ever in the top 15. The reason bills like Elizabeth Warren's miss the point is that this is a problem that is at its most intense in local government, next most intense at the state level, and then at the federal level more intense on the legislative side than on the executive side. We spent a lot of effort trying to make the executive branch more honest, and after the spectacular Trump years I assume there will be another effort.

**David Frum:** Why is the United States so much more corrupt than the others? The answer is because of the structure of the American government. The United States doesn't have a civil service the way other countries do. Elected figures make more decisions than their counterparts in other countries. Elected figures need money for their campaigns, but they also have a weaker career path. They are more likely to be fired, to lose their positions, than civil servants are, and they have a weaker sense of esprit de corps and purpose. That makes them more willing to think about bending the rules.

**David Frum:** So this is a point that is not my observation — the progressives of a century ago made it. They said, "If you want a more honest government, you're going to have a less representative government." It's also true that in Britain and Germany and Canada, it's harder for 20 people who get together with a grievance to have an impact on the state. And the exact same things that make it harder for a businessman to get a zoning decree in his favor make it harder for disaffected people who don't like where the state is putting the airport to have an impact on that. So maybe the United States is due for another round of that. And indeed, one of the things that I think the Trump episode may prefigure...

**David Frum:** I think a lot of these discussions we have now are a little bit premature, because we are in a real moment of flux in the party system — like maybe 1968 to '74, when there was a lot of musical chairs going on. One of the things that is going on, I think, very much in the Trump years — and #MeToo is the point of the spear, but I don't think it's the whole of the spear — is that we are at one of those points where the historic American Protestant conscience flares up, as it does at intervals, and as it did in the 1840s over issues of abolition and temperance and women's suffrage, as it did in the early years of this century, and as it did in during the Civil Rights era.

**Will Wilkinson:** A kind of Great Awakening which we seem to have over and over again.

**David Frum:** Yes. And it's complicated. Sometimes it produces results that modern people... I think generally the temperance movement doesn't get a good press; maybe it deserves a



better one than it gets. The people who were doing temperance thought it was completely consistent with their abolition commitments; they saw them as one and the same. Modern people tend to give a gold star to the abolition movement and less to the temperance people. But it flares up, and I think it's sort of flaring up now. And it's usually led disproportionately by women, and that's happening now. So I think we may well be moving into a more moralistic period in American life. The table's being reset. But sometimes what happens in politics is you just have to let the wave of water come in from the sea and sweep aside all the detritus on the beach, and then look at the new beach. So when we look at this six years from now, what we are going to see... We're going to have, I think, one of the moral waves. We're going to have Trump meet whatever outcome he meets. And then we're going to have, along with this wave of moralism, a wave of liberal activism. Some of it may work out, much of it will be wasteful and expensive. And then we'll have a new set of issues. And then people with those eternal center-right impulses are going to confront new kinds of problems.

**Will Wilkinson:** I want to stop for a second. There's a lot that's really tantalizing in the moralistic wave. But first I wanted to thank you for making a brief for a professional civil service. This is actually, I think, one of these overlooked issues. And it's a real issue on the right: What do we think about executive branch agencies and their relative autonomy? If you look around the world, the thing that seems to matter in terms of outcomes — whether you want to measure it in terms of economic freedom (as the Cato Institute measures it) or the social progress index which measures things like life expectancy, health, inequality (so it's a more left-leaning index) — the main thing that predicts good outcomes is quality of government. And the thing that really is the core of quality of government is anti-corruption, and that goes along with having a professional bureaucracy.

**Will Wilkinson:** But one of the big elements in the right's narrative, especially among the sort of Claremont Institute types who have been... Insofar as Trumpism has any sort of ideological source, the *Claremont Review* guys have it. And the idea is that American constitutionalism faltered at the point at which progressives tried to root out corruption, when instead of selling patronage positions, they installed a professional civil service. So that's actually under attack from the right now. Is that bad?

**Oren Cass:** Megan said I could attack you on this first. I don't want to do the meta “What is this panel about right now?” thing, but I'm going to anyway. Like civil service reform, cake-baking to a degree is fine. It has nothing to do with the question of what has happened to the center-right or what has happened with the rise of the Trump administration. What we actually have to grapple with is that 40 years of free-market religion has failed to produce what we said it would, which was a rising tide lifting all ships. And we now have this problem of: What are we supposed to say now? What is the center-right view on behalf of the people who have not gotten ahead economically for a long time and only see decline ahead of them? There will be many other political skirmishes, but the existential crisis we have is that.

**Oren Cass:** And we have a whole bunch of folks within the center-right who think the answer is, “No, in fact, economic growth is all we need. Tax cuts and deregulation are great. Look at where we are in the business cycle. We just have to let this Trump thing pass and bang, we are going to be right back on the Reagan horse.” That's one option. But there had better be something else. If you guys disagree and think this other stuff is more important, I'll be quiet, but I really think we have to grapple with this question of what is the center-right perspective of what you do with an economy that in fact is not working for everybody.

**Will Wilkinson:** Let's talk about that. But I don't think they're unrelated.

**Megan McArdle:** Can I now disagree with both of you?

**Will Wilkinson:** You can disagree with both of us, yes.

**Megan McArdle:** I'm second to none in my love for a well-functioning civil service, but I will point out two things. The first is that the U.S. has lots of civil services. None of them work the way the ones abroad do, and I think that part of that's federalism. But part of that is also just the American system. We don't trust our government, we trust each other. In some parts of the country the civil service is awesome, it's fantastic, it's responsive. In western New York, where my mom is from, it's terrific. I remember I got my driver's license up there so I wouldn't have to deal with the New York City bureaucracy. And then you go into cities and other places that are low-trust... In the South, for example, state and local government is almost invariably awful. Scandinavia, long before they had a professional civil service, in the 18th century had abnormally low levels of corruption compared to other places at the same time. If you look at the annals, in the 18th century they had something like 58 corruption cases in Denmark in the entire century. So that's one thing.

**Megan McArdle:** And the second is that it's not that I disagree with you, Oren; I think that the structure of the economy is really bad for a lot of people and that's a huge problem. I think that some of that is changing cognitive and skill load in the economy, and that we just have an economy that demands more; we're automating away a lot of those medium- and low-skill jobs. But I also think that there's a huge number of artificial barriers. If you're not good at college, if you're not good at sitting in a classroom and taking in information that way, good luck getting a job that's stable and well-paid. And that's a huge problem. That said, I think that there is a tendency in Washington to focus almost exclusively on the economy because that's something that we have a lot of data on. It's easy to define. We all agree what money is, we all agree what it means to have money and not have money, and we have good measures of it. And so we're like that drunk proverbially looking under the lamppost for his keys because it's easier to see there.

**Megan McArdle:** I do think that all of those things are important. I also think that often when you look at presidential elections, if you run in a recession year you're not going to get re-elected. At the same time, I look at the record turnout in the midterms, and I don't really see that as being about Medicaid, honestly. I don't see, in either talking to voters or in the polls, that everyone was just running to the polls to vote on Medicaid. I think they were running to the polls to vote on Trump. And I think that fundamentally we can't rule out all of the culture war stuff, all the "bake me a cake" stuff. I talked to a lot of evangelicals who, rightly or wrongly, felt that they were under the existential threat from the left of literally not being able to run their schools or have any job better than a janitor. And their argument about Trump was, "Yes, he's a boor, he's not religious, and he's fake pro-life. But he's not going to do that to me, because he depends on me and Democrats don't."

**Megan McArdle:** So we can't rule that stuff out. I think that some of what we talk about when we talk about policy ultimately is going to have to address those things. That is what the fusion of the social conservatives with the market conservatives and the hawks in the old regime, the Reagan coalition, was about. Whatever the new coalition is, those issues are going to come in and they're going to have to be seriously discussed, because people really do care. It's not like a fake issue that they pretend to be thinking about when they're really

talking about the economy.

**David Frum:** So, just to pick up on Oren's question... Will, you stressed that the rewards are less for the noncollege types because of restrictions, occupational licensing, things like that. Megan stresses that some of the jobs are just getting more intellectually demanding, or they may demand social skills or pleasantness that fewer people have. Oren, you may agree with this... I think it's just inherent in the nature of a more globalized economy. I wrote an article years and years ago that made this point. The most famous American architect of the 1950s was a man named Gordon Bunshaft. He designed just one building outside the United States. He made a very good living and became a quite well-to-do, affluent professional. But he didn't become rich-rich.

**David Frum:** Meanwhile, people like Frank Gehry and Norman Foster now design buildings all over the planet, and they get rich-rich. They get tens of millions, maybe hundreds of millions of dollars. Because if you're Gordon Bunshaft, you had one country with a population at that time of 200 million to sell to, and if you're Frank Gehry, you have a planet with a population of 7 billion to sell to. If you own any kind of globally-traded asset — a prestige office building or a share of Facebook — you have a planet full of potential customers for your unique skill or your unique asset. But if you don't have anything unique, you have a planet full of competitors. And so it's not surprising that a global economy produces higher returns to skill, higher returns to assets, and lower returns to undifferentiated labor.

**David Frum:** So that's the headwind that you're sailing into. And one of the questions is: What are we going to do about that? President Trump says, "Right, the answer is: end the global economy." He never says it as bluntly as that, but that's the tendency of his thought: bring back the Gordon Bunshaft economy. If you think that's unworkable, or not worth doing, or not worth the price, then you're in a position of asking, "Well, how do I defend the global economy?" And we have had a series of answers. In the 1990s, we had a center-left version of this with the Clinton and Blair solution, which was to tax the winners and then redistribute some of the proceeds to the losers. The problem that they overlooked was that the winners not only have money, they also have political power, and they do not agree to be taxed. So that gives you a very different problem, and that's why these changes are likely to come in a more spasmodic way. Because if you want to preserve the global economy against Trump, Corbyn, Mélenchon in France, and that type, and if you accept that the Clinton-Blair solution is probably going to not work all that well, then you have to wait for the coming crisis to give you a new chance to defend what is good and find a new way to compensate those who are victims of it.

**Oren Cass:** Can I jump in on that?

**Will Wilkinson:** Please.

**Oren Cass:** Well, first of all, I want to say that I agree with Megan. I didn't mean that the cake-baking issue isn't important to people. I meant that I think we roughly know where the center-right is going to be on that question. Maybe that's more open, but I think we at least have a sustainable starting point on some of those issues. I disagree with David, though, on his characterization of what went wrong with Clinton-Blair. The problem with Clinton-Blair was not that we didn't tax and redistribute. Redistribution shot up, and in consumption terms all of those folks being left behind are doing better than ever. The problem is, that is not what

people want or need, and it's not what their families and communities need. They want and need to be productive workers who can support themselves and their families. And a global economic model in which that is no longer going to be viable should be a nonstarter. I realize other people disagree with me on that, and that's a debate for us to have. But if you would posit that an inevitable outcome of our global economic model is that a whole bunch of people are just going to have to rely on redistribution, then I think the question is: Well, why is the global economic model our starting point?

**Oren Cass:** Now, I think it's possible to do both. I think we can find a global economic model that would also work for people of all skill levels. But I think we need to flip the order of that and say that our first commitment has to be the idea of an economy that structurally is going to work for people of all types, and now let's talk about how you build a global economic model that does that. It shouldn't be, "Well, obviously we have to have globalization, now let's go figure out what to do for the people left behind."

**Megan McArdle:** I'm going to push back a little bit here. Look, I think that what we've seen in the last ten years is somewhat to do with trade, although I also think it's in very complicated ways somewhat to do with Chinese demand for oil, which rocketed through the economy in ways that were not favorable to people who were not already pretty skilled and benefiting from that China trade. But ultimately, I believe David Autor's work that suggests that there was a real shock there for people, especially in manufacturing communities. If you did something that was exposed to trade, you were hurt by it. But I also think that China was a one-off. It could happen with India, but it just seems unlikely for a bunch of reasons, including the fact that the Indian government doesn't have enough control to do that kind of massive industrial policy on the scale that China did within a very short period of time. Also they hadn't deliberately impoverished their population, leaving it with a lot of rebound growth.

**Megan McArdle:** But other than India, there is no other candidate for having that kind of shock on manufacturing and low-wage workers. We had a one-time shock, and it was a bad shock for those workers, but I don't see how it could be repeated. Usually what happens is that countries develop slowly, or they develop rapidly but they're not that big. There was a lot of paranoia about Japan in the '80s and '90s, but in fact there's just not any evidence that Japan did anything to any workers in the United States. The big problem for manufacturing workers at that point was their companies relocating to the South, not relocating to Japan. And so I actually think that while, yes, the China shock is a thing that happened, I don't think it's a thing that's continuing to happen. I actually think that that really was a one-time deal.

**Megan McArdle:** The problem with that, though, is that those workers who were displaced don't feel that way. Because the shock, first of is all, is still going to be working through the economy for a while. There's hysteresis, and if you've had structural change in your industry, it's very hard to get back into the labor market. I think the bigger story is, honestly, automation and the change towards services. And it's not clear that dudes are good at service work in general — present company excluded, but in general they have a harder time with it. I think there's also a status thing.

**Megan McArdle:** David said that the people with money also have political power, and they're not going to agree to redistribution. I don't actually think that's the problem. I think it's that the people with status have political power, and they're not going to agree to a redistribution of their status. I know I'm going back to all of these touchy-feely things that are

really hard to do policy about, so maybe this is not productive, but ultimately I think a lot of this is a battle over status. And a huge amount of what I was hearing from my readers wasn't about the economy, it wasn't about trade, it wasn't about anything practical. It was about, "You guys look down on us, and to hell with you."

**Will Wilkinson:** I trained as a philosopher, so naturally I think everything is related to everything. But those cultural issues and those anxieties about status seem clearly exacerbated by relative economic stagnation in the nonurban parts of the country.

**Megan McArdle:** Right, because in America work is about status. Work is how you get status.

**Will Wilkinson:** So they're connected. You have big, long-term demographic change, which affects people's sense of who is central to American national identity, and those things coincide with the relative stagnation of smaller-town and rural economies. I live in Iowa most of the time; I grew up in Iowa. And in the '80s in Iowa, there was just this huge crisis about the collapse of the family farm. That wasn't happening because of global competition, it was just automation — the tractors got better. And since then, agricultural employment has just basically gone to nothing. Now the combines literally will drive themselves; you just set them and let them go. The combine doesn't even need anybody in it; you can just program it. So nobody works on farms anymore, but still there is this huge pool of little towns all over the country that were there as depots for services, education, and retail for agricultural communities. What happens to the people who live in those places once they actually serve no economic function whatsoever? What do we do about those things?

**Will Wilkinson:** And clearly the people in those places, if you go out into rural America, really are deteriorating. It's just recession all the time. And so if that's the way the economy looks to you, you're going to be anxious about everything. You're going to have a zero-sum mentality. So you're going to be worried about national identity, about losing your status as a man. All of these things, I think, get inflamed because of inadequate attention to the economic question.

**Will Wilkinson:** So let's go back to that for a second. As you said, Oren, on the right there was this free-market gospel that growth forevermore would raise all boats and then we'd be fine. But it didn't happen. So why didn't it happen? One reason is because we don't have a good enough public administration. Public programs have to be administered, right? If you want to do a wage subsidy, somebody has to make it work. So we have to care about government actually working well if we're going to have even pro-market reforms that are going to be successful, don't we?

**Oren Cass:** I mean, we've run Social Security since the '40s. I'm pretty sure we can swing that. I want to say two things about that. First, this story about automation is something nice that those of us with status tell ourselves to absolve ourselves of what has happened. To your point about things we have good data on, Megan, we have very good data on productivity growth over time. We know the rate at which automation is happening. It is not happening faster than it used to. The most recent period of time is the worst gain in productivity we have seen on record. At no time have we seen long-term productivity growth above 2.5 percent — that's through the industrial revolution, electricity, all of that. We have done things at least as impressive as the technology coming online now. And when you take something like Iowa... Iowa went through a hundred years of mechanization. At no point from 1880 to 1980 did its

population even decline. So we had no problem maintaining communities in all of these places, despite automation at rates that were faster than it is happening right now. That's point one.

**Oren Cass:** Point two, to the question of what did happen and what do we look at in something like a wage subsidy... Again, this I think will be the fundamental divide on the center-right: Do we take a functioning labor market to be the non-negotiable starting point? Because we've seen what the left is going to do with universal basic income and baby bonds and a job guarantee: "Surely government can take care of it." There will be a right-of-center contingent that says, "We have to do more redistribution than we did in the past, but that's just how we take care of that." And the alternative is to say, "No, the non-negotiable starting point actually is an economy where workers of all aptitudes in different geographic settings can actually support their families." And if that's the non-negotiable starting point, even at the expense of some efficiency in some cases, even at the expense of top-line growth in some cases — although I think you'll actually get more top-line growth in the long run if you take that seriously — then you'll come back to things like fights about education. Investing in the college pathway is just not where our focus or our public funds should go. It's the half of Americans who are not going to college who deserve our focus and our resources.

**Oren Cass:** You actually do have to look at trade and immigration. Certainly on low-skilled immigration, whatever our personal commitments or values are, adding a lot of less-skilled immigrants to a labor market that is struggling at the low end does not make sense. I agree that we're not going to have another China shock, but one thing we should be asking is whether that means that we're committed to permanent, hundreds-of-billions-of-dollars trade deficits. Not that everything that went to China is going to come back, but what is the recipe... It's not clear to me why we don't manufacture electronics in this country. There's nothing about comparative advantage or whatever else, especially if you believe in automation accelerating, that doesn't make this a great place to make stuff.

**Oren Cass:** And then I think we have to talk about something like a wage subsidy. If we are going to do redistribution, it can't be the safety net that we built in the 20th century. It has to be a system of redistribution that's actually tied to work, that puts money in people's paychecks when they are working. And that is what the labor market center-right would look like. But certainly that's not what everyone else thinks.

**Will Wilkinson:** That's great, that's really helpful. So there is an outline of an economic agenda that's focused on optimizing labor markets for people on the bottom, in a way, making sure that everybody has a decent job that has dignity, that gives them a sense of productivity. And for Oren, that seems to entail some skepticism about openness to trade, openness to immigrants, and even willingness to trade off some of that growth. So what do you guys think about that as a final...

**David Frum:** I don't think you can be both skeptical of trade and skeptical of immigration. I think emotionally they're congruent. The people who are skeptical of trade tend to be skeptical of immigration, but I think economically, they're trade-offs. If you have more trade you can have less immigration, because the person who would grow the sugarcane grows it at home rather than coming here to grow it for you. So I do want to preserve the open international trading system.

**Oren Cass:** Can you just elaborate on why you can't grow sugarcane here with people who

live here?

**David Frum:** Because if you're going to do that, you're going to bring in a lot of low-wage workers in order to do it. And I think that the social consequences of bringing...

**Oren Cass:** Is that the only way? I mean, in a world of automation, is there no better, higher-productivity way?

**Megan McArdle:** Sugarcane is incredibly horrible to grow and harvest. I don't think anyone is mourning the loss of that.

**Oren Cass:** I agree. I'm just asking if, in this world of technological change, there are no higher-wage ways to do it.

**Will Wilkinson:** In my state, a very high percentage of the agricultural employment that remains in Iowa is done by immigrants, partly because it is very, very hard to get locals to take these jobs.

**Oren Cass:** Okay, but why can't we make them better jobs?

**Will Wilkinson:** Right, but somebody still is going to be doing the work with the soybeans and the corn. Somebody's going to have to do it. So there's a question about how we're going to...

**David Frum:** The reason there is an Iowa is because people moved to Iowa for economic opportunity. That's why Iowa's there.

**Megan McArdle:** Well, the land was there before, Dave.

**David Frum:** But if the economic opportunity dwindles, I don't think it's a shocking thing to say that just as your grandparents came to Iowa for economic opportunity, now you need to go to California for economic opportunity.

**Megan McArdle:** Have you ever done agricultural labor?

**Oren Cass:** Not very much.

**Megan McArdle:** I think Will and I have both done a little bit of it. In my family, my grandfather got off the farm and then, at the age of 50, decided that he wanted a two-acre garden. So the grandkids got shipped up every year to be the stoop labor. And the weird thing was that my great Aunt Dorothy, who was 50 years older than me, was the best berry-picker of all of us because she did a lot of it as a kid. She didn't just come up and do two weeks in the summer. She was really good. She could strip a bush in three minutes while the rest of us were like dying, swatting the flies... We were finding excuses to sit down, and here's this little old lady just going pick, pick, pick, pick.

**Megan McArdle:** It's in some sense not skilled work, because it is not a rare skill. But in fact if you haven't grown up doing it... Tasseling corn is something that high school kids can do, but the more fundamental work of picking and actually working on a farm is hard to learn to do. Families start teaching their kids when they're young and they get productive around the

ages of 12 to 14. So yes, in theory Americans could do it, but they've... Actually, when Alabama shut down its immigration into the state, they tried to hire Americans to do it and they lasted three days. It's physically miserable, it is grueling, and it has to all be done in these huge bursts. So raising the wage doesn't make up for the fact that after hour twelve, if your body is not used to it, you are in terrible pain and would rather pay them money not to have to do that.

**Oren Cass:** I don't know, bully them. We're getting a little off track, but this is actually... I think this is important to test.

**Will Wilkinson:** I think this gets us to the core of the debates that you have to have.

**Oren Cass:** I mean, why isn't the answer not to double folk's wages, but to say that for every half hour on you also have half an hour in an air-conditioned tent? Why is the model that we have to run our farms the way that we run them with low-skilled immigrants?

**Megan McArdle:** Well, in part because it's hard to put in air conditioning...

**Will Wilkinson:** It's just terrible work, nobody wants to do it. That is the bottom line. I was the last generation of white native Iowan kids who detasseled corn and rogued the soybean fields. Farms can't get the kids now. That's partly because the education system is good and kids are doing stuff for college prep, so they go off to college and they don't want to take these jobs. So the workers have to come from somewhere. I agree with you that we need to make sure that our labor markets are working for everybody.

**David Frum:** Oren initially said that his core commitment is a kind of a labor market. This is very much like a German Christian Democrat, dignity of labor argument, and if it means a trade-off of efficiency, you're willing to do that. And I think that that is going to be a powerful tendency throughout the developed world. I call the Trump age the era of revealed preference, because you discover what your most fundamental commitments are. I would say, without gainsaying any of the importance of the dignity of labor concerns, that my fundamental commitment is the neoliberal idea of an integrated world market leading to world peace, and that trade restrictions mean war.

**David Frum:** I believe that very strongly. And sooner or later, trade restrictions create states that see each other as rivals and therefore enemies. And, like the old nineteenth-century liberals, I want to preserve a world of peace, and that means free trade. And that also means that we think, "Go back to the coalface that Clinton and Blair failed to successfully mine... How do we find some way of acknowledging the realities of the power of the wealthy to make a better deal?" And so where I would spend the money that you, Oren, would spend on wage subsidies is with nonmonetary social insurance programs, especially health care. That makes one of the early policy challenges squeezing health care providers, so that it doesn't cost so blinking much to deliver worse health care than everybody else gets in the rest of the developed world.

**Megan McArdle:** In all of these areas that are deindustrializing, or the rural economies that are failing, where are the good jobs? They're high-paid, stable, steady jobs in health care. And those are the wages you're going to have to squeeze. Because it isn't just the cardiac surgeons. Yes, those guys make ridiculous amounts of money, but it is a fact that everyone in our health care system makes more than they would elsewhere. The nurses make more, the radiation



techs... there are like nine times as many of them as there would be in any other country. All of these people make a ton of money with stable, well-paying jobs that are supporting these economies that failed. So if you squeeze the health care system in order to provide social insurance, you're going to be squeezing the only thing that the people that Oren is talking about have left. Basically this is the only market that they can go into in order to sell their services in what is a very high-paying, relatively prestigious job that doesn't require a four-year college degree. And that's something that people aren't grappling with, which is that we have poured all this money into the health care system.

**Will Wilkinson:** That's a great point. We are just about out of time. Clearly, this is a complicated morass. This is just the beginning of the conversation, not the end. I would love to take just a couple of questions before we wrap up.

**Steve Caulkers:** My name is Steve Caulkers. In Europe, after the fall of communism, the fiscal conservatives moved to the left in opposition and the social conservatives came to the median voter boundary. The socialists collapsed and then they came around. So why is a center-right in the U.S. going to be different? Why is it going to be on the right and not on the left? Because it seems to me that the fiscal conservatives today are organically on the left.

**Will Wilkinson:** Before we begin, who wants to field that?

**Megan McArdle:** I think fiscal conservatives today are standing there with a stunned look on their faces, asking where everyone else went. I don't see any appetite for fiscal conservatism on the left. I think whenever your party is out of power, you get a huge appetite for fiscal conservatism because you want to stop the other party from doing anything they plan to do. Other than that, there's a bunch of wonks like us sitting around, and we're totally like, "No, dude. You got to balance the budget, etc. etc." But it's us and five people at the Committee for a Responsible Federal Government. The political energy isn't there. And outside of very narrow economic policy people, no one else is interested either. It's just not a big seller. People want to spend a bunch of money on either their tax cuts or their social programs.

**Will Wilkinson:** Let's have one more and wrap it up.

**Q:** I wanted to ask your opinions about cutting defense spending and then also the Tax Cuts and Jobs Act.

**Megan McArdle:** Appalling.

**Will Wilkinson:** I would love to cut the defense budget. I'm ambivalent on the Tax Cuts and Jobs Act.

**David Frum:** I think the corporate component of the tax cut was good. I think the rest was very, very bad and was just a barbecue and a giveaway. But I also admit that even though I favored the corporate tax cut, I'm a little disappointed by some of the results that were obtained from the corporate tax cut. Nonetheless, I tend to believe that a lower corporate income tax decreases gamesmanship and makes for more rational planning. On the defense budget... In international affairs, I'm a Keynesian. I don't think the world system balances itself; it is balanced by American power. And on defense spending, I would always rather have the feeling, "Gee, I wasted some money by spending a little bit too much" than feel that I threatened world peace by spending too little.

**Megan McArdle:** I fundamentally agree that the U.S. is hegemon, but I don't think we needed the defense increases. On the tax cut, structurally, I actually like the Tax Cuts and Jobs Act, mostly, except for the really, really dumb pass-through provisions on the S corporations. But the rates were way too low. It was appallingly irresponsible. There's no excuse for it in the middle of an economic boom. And the Republicans who voted for it should be ashamed of themselves for creating a deficit that there's just no excuse for.

**Oren Cass:** I don't know anything about defense spending. I would agree strongly on the Tax Cuts and Jobs Act that lowering the corporate tax rate would be a good idea. Spending \$1.7 trillion on it, over ten years, was crazy and violated every commitment our elected representatives should have. I don't know how we get back to fiscal discipline. There's no political appetite for it anywhere. But ideally, it would be a starting point for the future center-right, because it's going to have to be someone's starting point at some point.

**Will Wilkinson:** We have just a couple of concluding remarks from Brink Lindsey, so please thank our panelists and thanks so much everybody. Appreciate it. [applause]