

The Market, the State and the Dynamics of Public Culture (Discussion)

Transcript of discussion held in Philadelphia on June 11, 1997

JUDITH RODIN: Thank you very much. Thank you, Kevin. The floor is now open for questions. Comments?

JEAN BETHKE ELSHTAIN: Mr. Phillips, I wonder if you could move on from the place where you wound down, where you concluded, to draw some connection between the story that you presented, the sketch that you provided of these trends and tendencies and so on between that and the public culture kinds of issues that this group is concerned with. I'm wondering what connection you see there. It seems to me that when one talks to folks, one of the things that they draw from the current understanding of the market and its prevalence in the way it sort of permeates all the [unintelligible] disease of American life is that it promotes a view that what we're supposed to be about is looking out for number one and concentrating on ourselves. Do you see that kind of connection? I mean, it's one thing for folks outside of the Beltway to be cynical about what goes on inside of it. It's something else for market forces, in a sense, to sort of permeate into a public culture and very much influence or affect or even shape the ways in which we think the possibilities other than self-interested ones are within the privy of American life at present.

KEVIN PHILLIPS: Well, I think the effect of the money and market culture and its apparent success is to, you know, A, emphasize money and monetary rewards; B, sort of create a cult of business and those yardsticks and that type of success and no particular societal responsibility, because one of the things business maintains quite successfully is that the responsibility is to shareholders. And I'm entirely conversant with the coterie of businessmen who say there's a larger obligation. They only want the larger obligation in terms of volition. They don't want it in terms of law. And the notion that you would have a stakeholder mandate as for example, the Labor people in the UK are trying to come up with some legal version of it. You won't see that here.

So I would say that as long as you have an apparently successful corporate America where CEOs can really do a very good job for their stock options by dumping 11,000 workers, because they can make a couple of million dollars just, boom, in the change of the value of the stock for which their option can be exercised, you're just legitimizing a whole set of behaviors and saying basically that they work. I would think that people in the inner city are saying that, 'Well, they're entrepreneurs, too. They just have a different product, and that's OK.' And the notion that you tell the truth in business—I mean, not that they're any worse than anybody else there, but why tell the truth in business if you don't want to tell the truth in the White House or the Speaker's office. The role models that come out of this whole culture and, of course, the politicians are just caught up in pandering to the people who have the money. If there's one thing that comes through loud and clear in both Gingrich and Clinton is that, you know, these guys would give Genghis Khan a guided tour for the right check or even the wrong check.

The whole money ethic permeates politics when capitalism is that successful and when money is allowed to flow into politics almost without hindrance. It then creates the yardstick for politicians, that, 'Hey, that's what I need to cozy up to? That's where I'm going to get re-elected or not get re-elected? People in my district don't mind it because they sort of want the same thing, too. And I do look out for local industries more than others.'

I just think the permeation of this is enormous. And I have told some people that are involved in the campaign financial thing, very seriously, I'm basically not interested in anybody's strategy or game until there's a speculative implosion. Because if you go back, you see that's when people say, 'By God, I thought you were the greatest and you did it to me, you bums.' And that's when you get the curbs. You look at what happened in the populist Progressive Era after the bubble cracked in 1893. You look at what happened in the New Deal in a different way. You look at what happened after Watergate. There has got to be something that pops this before you can change the ethics that have grown up around that culture, whether they be in campaign finance, the behavior of corporations, economic, individualism or whatever. And my opinion, it's running amuck, but it's running amuck for a good reason. It's being nurtured.

The whole policy of Washington and the interest groups and tie-ins with the, you know, for what it's worth, this is just a minor detour. It's not in your area, but the American Federal Reserve is unique in the sense that it's the central bank that's controlled by private interests. Once you have the Federal Reserve districts elect their presidents and that they vote on the open-market committee and the new Chancellor of the Exchequer in the UK just took away the bank regulation from the Bank of England, put it in a separate agency. And now the Bank of England is out to sea because they can't have their cozy little deals anymore. But we've got a cozy little deal. It's as if the drug industry was allowed to run the Food and Drug Administration, to have the financial sector run the Federal Reserve Board. It's as if the money supply isn't the country's money supply in the sense of everybody, individuals and all kinds of businesses and all kinds of vocations, but it's the financial sector's money supply. And they get to target it on basically what they want, which, in Greenspan's case, is you target keeping inflation negligible, which means keeping wage increases for people who have fallen behind negligible.

So there's a whole financial outlook here, too, and that, I think, goes hand in hand with the market forces and until this pops, I just don't see anybody changing much of it. And I think the attempt to reform campaign finance

goes nowhere until there is some change in a big way in the success pattern of the corporate and financial...

JAMES FISHKIN: The insatiable demand for money that you described seems to me to be fueled in large part by the effort of people to get to be re-elected and the insatiable demand of money to reach the public via television. And so when you describe Congressmen who would rather become lobbyists so they can hand out the money rather than wait in line—the missing piece of it—I don't disagree with what you said, but the missing piece of it's they're standing in line when they're Congressmen to get money not so much for personal enrichment as to just stay in office. So television time and the other needs for campaign finance seem to be the root cause or if not the root cause, a key source of this problem and while the scale of the money required may be very different from and the kind of reform required may be very different from the earlier reform periods that you described. And so your latest comments about being pessimistic about campaign finance reform make me even more pessimistic.

But I wonder if you'd speculate about the kind of reform you think would be viable if the historical moment ever came—campaign finance reform, I mean, and money, and the nexus between money and requirements for television.

PHILLIPS: Well, one precedent remark here before I go on to that. They do enrich themselves in this. It's not as if they can just take it and put it in their bank account, but they can have an awful lot of expenses picked up by their PACs and they do. It's rare to see a Congressman in anything other than first class if he's got a PAC that can handle it. I see scale there. I suspect it's not as rare as you think. But they certainly do use it for a lot of little things like, obviously, parties, auto leases, travel, laundering suits. It takes a big load off. And the leadership PACs that have sprung up have a lot more flexibility there, too.

Now Congressmen have foundations as well. So that's another little angle. There was a Congressman from Idaho that had a foundation. He had people that came in and spoke to him on great economic issues or something—I

forget what it was. But it was innovative. It was innovative. They're not doing that badly. The serious, honest ones are because they don't do this and then they look around and see what all the rest of them are up to. So I think it also has some elements of benefit. And, of course, making contact for the job that they're going to get in Washington after they lose or retire is also part of the game, and not all that many go home.

Now what would I do if I had a shot at the reform? Oh, I think I'd go as far as I could towards public financing, certainly some kind of—if there is going to be private money, as strong a control as you can over making it come from in state or something that ties it down to the locality. The French have a provision that if the election law is violated, you can unseat the guy who violated it. He loses his seat. I can't give you the exact detail. I saw this and I was over in Europe right after the British election and saw it in one of the French papers. And I haven't seen reference to it since, but I'd love to see that. If we can have something like that here, that could be a very interesting thing. The number of citizen lawsuits that try to get A or B or C thrown out would be a corrective in itself, be almost as good as term limits, which we'll obviously never have.

FISHKIN: But if we continue to have a Republican Congress, don't you think that public financing of congressional elections is just extremely far-fetched?

PHILLIPS: Yeah, sure.

FISHKIN: Yeah. Well, what about free TV time?

PHILLIPS: Well, nobody will watch it anyway. I mean, who in their right mind, given a choice between a book by somebody who's talking about an 11-year-old murdering a six-year-old and listening to three guys running for Congress is either not going to take the book or turn it off.

RODIN: Well, here you're talking about individual behavior...

PHILLIPS: Yeah.

RODIN: ...and maybe—just let me ask you to comment on that for a moment, because so far, and appropriately, given your areas of expertise and scholarship, you focused on the systemic variables, whether it's government or market forces, but are we to believe that individuals and individual motives and values have no themselves corrective opportunity here, that we're just sort of the pawns buffeted back between governmental forces and market forces and now the collusion between the government and market forces? I mean, where are individual values and behaviors in all of this?

PHILLIPS: I'm not certain people think that they can do much about it. So to the extent they have things they do in their lives that interest them, they spend more time on that. And there obviously are an enormous number of people in this country that are involved in religious and community activities and put a fair amount of time in on it. It's easy to imagine that all these other involvements are a partial substitute for political participation that people find a waste of time.

THOMAS BENDER: Could I—I'm sorry.

RODIN: Go ahead.

BENDER: I'd like to ask a question about the overall structure of your argument, which you use Schumpeter's famous comment about capitalism, but one could have to locate that in the United States. More specifically, the two generations of Schlessingers have always had this cycles of reform which, at least in the epigraph of "The Age of Jackson," the younger Schlessinger identifies with George Bancroft, that the business community goes to excess and then reform emerges. It's a highly deterministic model. It's not clear what the mechanism is always in their formulation of it, and this is going back to what Judith just said in a sense. It seems to me that the only mechanism you allow is the market, and, in fact, the market drives this in a negative kind of way. The market failure drives it and this, it seems to me, even further excludes the possibility of political resolution. I guess I only want to press you to see if that's really what you're saying.

PHILLIPS: As you stated, I'm not saying it. When I started out with my reference to the unique personal qualities of Clinton and Gingrich, I wanted to make the point that obviously values and individual forces and people count. But in trying to address the inter-relation of the markets and government, I took a way to do it that I thought probably would give people a perspective they might not be getting too much in other places. I think that one of the roles that people have turned to is the importance of religion. As one who used to watch this on the Republican side, nobody took religion as a force in politics very seriously during the '50s and '60s. It just wasn't paid much attention to it. Then during the late '60s and early '70s, you could see it coming up in the South and a couple of people started to write books about the enormous importance of Billy Graham and the evangelists and fundamentalists. So I think is—as politics in this country has failed people, as a sense the government becoming distant and unresponsive and then they can't achieve much anyway, religion has become something that plays more of a role.

So, yes, I think there are moral forces out there. On the other hand, you can look at the people involved in the intersection of religion and politics and I'm certain they're a lot better than the politicians. Pat Robertson or some such. But...

ROBERT WIEBE: But I really would like to go back to the essential message you're asking us to consider. As I heard it, it goes roughly this way. As money concentrates in politics, excess through speculation creates a depression, and out of the depression comes the urge for reform—1890s, Progressive Era; 1929, '33, the New Deal. Each of these, and I'm now embellishing a little bit—each of these concentrations is greater than the preceding one, and the depression following it is greater than the preceding one. We've had an immense increase in the concentration of wealth and politics in the late 20th century. If I understand you correctly, the corrective is going to be the most massive depression we have ever seen. I don't see what other logical sequence we draw from those parallels and your apparent frustration about the failure of the bubble to burst and trigger that kind of corrective.

PHILLIPS: Well, it's a good question, because I don't agree that we have to draw that conclusion. On the other hand, I'm not disagreeing with that as a possibility. But if you take the idea that's been flipped out by people that we're in a golden age and the market forces have matured and technology has made them more manageable and all this business, which I do grant to some degree, although maybe it's just set it up for an even bigger fall. But there's nothing that says this one has to be bigger—at least I don't think there's anything that says that because you're based on a progression of just two before. The panic of 1857 doesn't really count in that equation, and once you start getting back in the Jacksonian bank panic...

WIEBE: Mr. Phillips, just make it huge. It doesn't have to be the biggest...

PHILLIPS: Well...

WIEBE: It just strikes me that that is a prescription—it may, of course, be true. But it's a prescription that almost paralyzes this group. If we believe you, we say, 'Into the bunkers,' you know? There isn't very much that we're likely to be able to draw from that. Now it's our task, of course, to extrapolate, to draw from what you say and other sources. But trying to enter a dialogue with you right now, I take that to be the most fundamentally pessimistic account of the possibilities of this commission that I've yet heard.

PHILLIPS: Well, we could turn into a police state and you could all be arrested. I guess that would be more—let me try and answer this, because it's obviously a good point. I don't know what odds to put on the various outcomes here. I come back to this thesis that's been advanced that people feel this is the golden age and that all these changes are developing. And on the other hand, you go back and look at the data which I just did very carefully recently, and the longest business cycle of this century so far has been eight to nine years. And of the fairly lengthy business cycles, about half of them have accompanied wars during which the normal relationships are suspended.

So if you look at that—and I got into this particularly carefully because you've all looked at the budget package that's just been agreed to—it essentially sidesteps entirely the question of another recession and one that's going to

come, to say nothing of a question of the size of any market correction. And with its assumptions, what you have is unfortunately the previous maximum links of the business cycle suggest that the economy turns into a recession in either fiscal 1998 or fiscal 1999, which would make a hash out of the budget process obviously. That's the way in which the budget process has been made a hash before, because they never project for a recession. They lower the growth for the decade, but that's not the same as a recession because you just can't compute things the way they do because of the impact of the specific event. In any event, you could fairly say that history would suggest that this program is a joke. Unfortunately, history has made the last two or three programs a joke because of somewhat similar circumstances.

I don't know what odds to say you should have. I guess what I'm saying is that if history follows, you will overlap with a correction of some significant sort which will change the political economy. I say that if history follows, you will overlap with, yes. That's a very logical way to put it. The odds on what size it would be and the extent to which it would dominate what you had to do at a certain point a year or two from now, I don't know. I don't accept that this has to be a bigger one. I think that the aspects of coordination and technology and better ability to deal with market forces might make it a lesser one. Is it likely to still be big enough to have some of that effect? Yeah, probably. I wouldn't try to put the odds on it, but if you go back, it's something you should think about.

DREW FAUST: I'd like to ask a question about history. It seems to me there's some assumptions in what you've been saying about the nature of historical process that I'd just like to question, because it seems to me that they're perhaps metaphorically adopted from notions of business cycle that what you're embracing here is very much a cyclical, repetitive, eternal return notion of history. And it seems to me that in our discussions on the Commission, one of the things that has been often alluded to is how things are different this time, and especially I think we've focused on the notion of the impact of mass media. And I think historians often would focus on what's different between 1890 and 1929 and now, and that we need to think about differences and the ways in which—I mean, you've already yourself

pointed out a difference, that the corrective has not come, and there are reasons why the corrective has not come; powers that people have exerted that were not present, not assumed; values that have been embraced. And so I worry about this notion of 'history does say' and 'history will mean' because I think it puts us in this trap of assuming cyclical situations that may be accurate for business cycles but I think have to be challenged when we bring culture and politics and things like mass media to bear on the kinds of questions that we're approaching.

PHILLIPS: Well, I agree with you in terms of the political cycles. I think we've gone through the last of the generational political cycles in this country for reasons that I could get into, but that one I would agree with. In terms of the business cycle, it's very difficult for me to see that one being suspended. There are just endless numbers of books that'll show that economic cycles go way back before the Industrial Revolution, even before the Middle Ages. I took, bearing your point in mind, I took Kindelberger's book, "Manias, Panics & Crashes," and looked to see how far back he had everything going and pretty effectively way back into the 17th century. I have an awful lot of trouble seeing this stuff being suspended. Now can it be modified? Absolutely. And that's the whole point of not saying that we're building towards an even bigger one. I wouldn't accept the progression that would say that.

Now in terms of the other aspect of the golden age and a cycle that everybody tends to forget about, because it's not really a cycle, it just happened all the time—wars—and there have been suggestions, of course the sort of 'end of history' theory, that we're not going to have any further great evolutions internationally or in the form of government and politics and market economies and so forth. And several rebuttals to that have gone back and it's quite amusing in an ironic way to analyze all the predictions of the last 800 years in terms of why there won't be more wars, why we finally gotten to a new point where the crossbow is too great a weapon, we can't possibly fight again, and little things like this. And then the power of computers—I forget, it was Tennyson or not Tennyson—or something on the enormous impact of the telegraph and how that was just going to change everything and that peace would follow and so forth.

So people that pull this stuff together have basically done so in a way that's pretty effective in saying, 'Yeah, well, it changes but it doesn't go away.' And, I guess, where I would—I'm sure it's changing. I don't think it's going away. And if it's not changing a lot, there's going to be something significant.

MARI FITZDUFF: Could I raise something that may be even more depressing? And a lot of analysis is going on about why the Conservatives lost, and actually they're pointing a finger to the date in 1992 when Norman Lamont, Black Wednesday, realized that Britain was no longer in charge of its own finances. And it strikes me that you're talking as if the power of correction actually still does lie at a national level. I mean, my sense is, what with currency speculation, etc., we're talking about transnational economies. But I don't believe history just happens. History is made mainly by people, sometimes by companies, and I'd love to hear your analysis of actually what's happening at much more transnational economic level that actually will point to our ability to control or not to control. I suspect the situation is even worse as Norman Lamont found, that, in fact, we may not be in charge of most of the major forces anymore.

PHILLIPS: Well, one of the things that people tend to be in charge of is human nature. And human nature tends to be the obstacle to a lot of the abstract blueprints that people have, whether it's for peace or all kinds of changes. And I think out of the French vote I get the sense that people in Europe are going to use politics. And that's one of the few things that's left, the national boundaries and the ability to vote. And you've got Jospin going up there and basically saying, 'Well, I'm not going to roll on some of this stuff.' Now maybe that's the beginning of the end for the European Monetary Union. I don't know. There's certainly a lot of speculation. It certainly wouldn't be the first time. Nationalism and ethnicity are enormously powerful forces.

I mean, as somebody—part of the world knows only too well the enormous thrust of all these things and the French and others. I don't think that all of this can be wished away. And maybe that's a force that should get more attention the importance of people but also of nations and ethnic groups

reasserting themselves against these forces they distrust. They distrust bureaucrats. They distrust central bankers who want to move everything around and say, 'Well, you can't be in the currency union unless basically you dump this pension program,' or something like that, and how to get your budget down below 3 percent of GDP. And even the Germans can't manage that.

So I just wonder if politics—which is to say human nature just getting a little obstreperous and saying, 'Well, we've got France and we've always had France and we're going to keep France. And I remember these Germans, that my father fought them and my grandfather fought them and my great-grandfather fought them and then two generations back further and then—so I don't necessarily think I want to do what the Germans want.' And there's a little memory in Ireland and there's a little memory in Scotland and Wales and just a lot of things out there like that.

And I actually find myself—this will sound horrible—a little bit cheered by this, because this is the people's side coming up, and if it didn't, you could just basically sit and have everybody moved around on little boards by the people in Brussels. And some of the first stuff that got me into politics on the conservative side back in the 1960s was just this great sense that liberalism was moving people around on boards and they had experts sitting and planning and judges say, 'Do this, that and the other,' and it didn't work. I don't think it did work. But I think you're getting some of the same thing now in terms of Europe and the Eurocrats in the planning and the currency and people are fighting back. We'll see how far it goes. Maybe it won't.

RODIN: Cass.

CASS SUNSTEIN: Yeah, I have three sets of comments. The first has to do with our focus, and I think positive social science, with respect to the sorts of things you're discussing, is very hazardous, that TV talk shows are most embarrassing when people are asked about the weight of historical forces over the next 10 or 20 years, mostly because positive social science is capable of generating at most mechanisms and not lawlike generalizations. And certainly as a collectivity, we're not in the position to come up with

generalizations about the future development of money in politics. I think we should be more normative than positive.

The second has to do with focus, and I think it would be good if you could help us focus our topic, because in your remarks I sensed, you know, a lot of very good points on a lot of different topics, and it would be good for us to have a sense of what problem it is we're addressing. I mean, one possibility is bad policies; another is too much interest group power; a third is too much money in politics; a fourth is an absence of reasoned deliberation; and a fifth, my least favorite, is too many lawyers. So these are overlapping problems, but different problems, and if we tackle all of them at once, boy, are we in soup.

My third point really is just a proposal, which is that one thing we might focus on that would give us that opportunity to do something that we can be maybe a bit productive with is the extent to which market forces are driving political discussion in not very good directions. The most benign face of this, I think, is *The New York Times* today, whose first story is that 70 percent of New Yorkers think that rent control is a good idea, and it is taken by *The New York Times* in this presentation that that is an extremely important piece of data with respect to the future, of course, of rent control on the normative side, not the positive side. It will not reveal, I pray, University of Chicago bias, to say that rent control is terrible—it is terrible for New York, a disaster; it is for poor people, very bad. And the fact that 70 percent of New Yorkers think that it's good is really pretty much neither here nor there. Now that's the most benign face of market forces driving public discussion in unfortunate directions.

The less benign face is the "National Enquirerization" of America exemplified by your opening remark with respect to the Paula Jones case becoming, you know, an extremely important issue about the content of the presidency, something that would have made the Roosevelt presidency impossible.

Now my little suggestion is, if we focus on market forces driving public discussion in ways that produce, you know, atrophied citizenship and terrible priority setting and bad policy, we might think that the way to direct

ourselves is to think about incentives. Market forces are incentives, and in those areas in which market forces are producing bad outcomes, then what has to happen is the incentives have to be refashioned. In the environmental area, such successes we've had in the last 20 years from President Nixon, among others, has come from refashioned incentives. So I wonder if you could talk about—you are an expert on this—on something that you would like us to focus on or if you don't have any particular thoughts on that, on the question of whether market forces are producing bad outcomes because of their effects on public discussions, and not a prediction about what will happen, but a judgment about how something good can be made to happen.

PHILLIPS: Well, let me back up on one point here. I spoke on the subject that was supposed to be discussed. I could have spoken, and very often do, about the failures of the party system and the political future and the disaggregation there and the difficulties in governance etc., etc., etc. That wasn't my topic and I didn't do it. So in terms of what's taken as representing some total overview of what I think about—don't take my speeches that I'm—I'll stand behind what I said. I'm just not saying it's 97 percent of what I would say if I was standing here in free form.

Now in terms of what, I guess, advice I would give you on how to look at all this from the standpoint of what you're doing and I'm not going to get into the market incentives business. There have been 20 years of market incentives and some things have gotten too much incentive and others haven't gotten enough. I'll take your point, somebody else can do it. I guess what I would say here is you've got a hell of a sorting-out challenge to do. You've got a very difficult chronological context in which to deal with it because there is some sort of evidence, vaguely, that things speed up as we get close to the end of centuries. And then there's a little bit of a hurry-up pattern and people get change oriented and they want to know what to do. And if they're upbeat about the next century, they try to get into it. If they're nervous about it, they sort of gnaw their fingertips. There's just a lot that you can put up as a framework without saying it's 99.99 percent, that it's worth keeping in mind and being somewhat cautious about organizing all this.

I think organizing what you have to do and then segmenting these different portions of it is a very difficult thing. I don't know how I would do it. I'd probably sit and agonize and come up with something that didn't quite work and somebody would pick it apart very easily. What I have the advantage of doing is to try to put a number of cautioning frameworks in place, and I would, if I was here on that different subject, talk about politics and the political parties and governance as another caution in terms of the weakness there and the difficulties in making these things do much of anything. The pattern in American history of collaboration between Democratic presidents and Republican Congresses is one of the least productive because you normally get them only during the second half of presidencies of Democratic presidents who fail. The notion that you would actually continue one into the next term, I think, is unique and I think it comes from the fact that, as all this stuff about Clinton and his guided tour of the Lincoln bedroom for every Southeast Asian hustler who had a check, made people say, 'Well, the Republican Congress isn't worth much, but maybe we should keep them there because maybe they should watch this guy.' And that was a force which a lot of Democrats would just gnash their teeth and report how their polls dropped in the last two weeks.

So I guess what I'm saying is that you can have an awful lot of cautions there, and I would be somewhat mindful of them, too, and that's just a quick skimming over of a lot of things that could be pursued. How to do all this? Let me ask specifically when is your final deliberation for publication? How many months later?

RODIN: Two years.

PHILLIPS: Two years out. I'm having a tough time. You know, if you were to—just to give you an idea here. If you were to put your deadlines for reporting on a chart of the length of American business cycles of the 20th century, you would find that you were right out there at the point at which they are either over or ending. No, that's a fair statement of what's gone on already. I'm not saying that, you know, this is something that you can bank on, but as a truth for 20th century business cycles, that a fact.

UNIDENTIFIED WOMAN: Absolutely.

PHILLIPS: In terms of the millennial psyching up, if you go back and you look at the '90s in history—whether it's the 1890s, 1790s, 1690s, 15—1490s, etc., you do get this hurry-up effect. This is a set of complications. I don't know exactly how I would deal with it if I were you, and I think it's got to be an inhibition. I don't have answers.

RODIN: Joyce, you were next, and then David.

JOYCE APPLEBY: Well, my remark is really to our commissioners more than the speaker to maybe save us from this despondency that we might slide into. You've put forward a very strong thesis, which is that we are dependent upon a downturn in the market for any serious reform initiatives. And as an historian, I would like to offer there's some other theses that we might extract from history, though I'm reluctant to do it. But looking over at Thomas Jefferson, I was reminded of the fact that the most important reform movement in our country was undertaken by him during a time of great prosperity. So I think we have a lot of evidence that prosperity is also a time when you can initiate reforms, and I would say that the celebration of the 50th anniversary of the Marshall Plan might drive that home, or the building of the university system, which is our great post-World War II source of pride was also during a time of prosperity.

So I simply am saying is there's a lot of evidence from history for just about any kind of relationship you want, and there certainly are some very strong advantages built into a time, at least, of a sense of prosperity or high employment that's a time that you might engage people in efforts to reform what clearly is our problems that go far beyond the market, though the market may be the one convenient term that we can seize upon to epitomize them.

RODIN: David. Oh, will you answer? I'm sorry.

DAVID BROMWICH: He wants—I have a question that's pretty finite after you answer this, if you...

PHILLIPS: Well, just a fast further comment on that. If something—think about what Joyce has said in a slightly different way. Now suppose that things look good at this time in 1999. Basically then what I think you have to say is that you have to weight the notion much more substantially that something very different and unusual has happened to the business cycle at that point. You'd be nine years in if it wasn't really quavering. Well, if it is, then that in itself is something that enables because let's hypothesize for a moment that that's the case, that things are still zipping along in 1999, the revenues are going to be high. It's a big surprise in terms of budgeting in the last, oh, 18 months, as any of you who do this will know—and this is why the Congressional Budget Office found this money, \$225 billion. The revenue flow is high. In Canada, they were able not to put into effect the last round of health cuts that were proposed and it was very convenient for the Prime Minister not to do so and when he called the election. So they canceled it, but it was again revenue flow.

If there is a recovery going in 1999, the revenue flow is going to be high. If the flow of revenue is high, you can come up with positive program ideas with much more ability than anybody would have dreamed of a year or two ago, and more, I would suspect, than people would think now. If, on the other hand, the cycle is imploded, then you have to wonder whether it's going to be a fairly substantial implosion. I'm just saying the either/or game can be played in several ways. If, in fact, 1999 is still a good economy, your revenue flow's going to be really something.

BROMWICH: This question is off economics. But you said early in your remarks about the socialization of markets. That...

PHILLIPS: Of risk.

BROMWICH: I'm sorry, of risk, right. That this debate just hasn't taken place. And I wonder if you could, from the point of view of your grasp of what journalism is and what the mass media have become in the last 15 years or so, try to say some non-economic or relatively non-economic reasons that you can spot for us why this debate, this debate about markets, has not taken place. I'm asking partly to help make sense of an observation I've made

gradually, that 20 years ago when I was starting to get interested in politics—25 years ago—you could notice that—for instance, if there was a discussion of the two supposedly opposing sides in politics, left and right, it was a very artificially narrowed spectrum. But it seems to have become still narrower. What counts as left is something a tiny bit to the left of Bill Clinton, and what counts as right is somebody, you know a relatively housebroken Republican member of the House or Senate. Why is that? I mean, that's part of what I'm asking, and I'm asking for obviously markets, conglomerates and so on that own some of the media, are part of this. But are there other—are there cultural and political reasons that you could go into a bit?

PHILLIPS: Well, I think you're quite right, and I think your comments take it in the right direction. One thing I've been very struck by is the extent to which elite journalism in Washington has if not a high-class background, which isn't the same thing—it has reasonably high socioeconomic profile of where people are at the time when they're pursuing these roles. And I find the lack of a sort of left or grassroots outsider viewpoint in any of these things in terms of prestige journalism, outside of "Mother Jones" or something, which has its own sort of niche and gets stereotyped and stereotypes itself a bit some of the time, too.

But I think that's quite right. I think the commentary on this is new and that most of the people who were "liberal," quote, unquote, in politics in this community are elite, and their economics are not very different from the conservatives and that we just don't get—and this has struck me in another vein. Dimly in the recesses of my mind it used to be that the Federal Reserve Board would appoint people who represented manufacturing or farming or housing, and the people would come up with slightly different credentials than just coming out of banking or being an economic consultant. And now it's just virtually all on the expertise as opposed to constituency side.

And if you're an economic journalist or you're an economist, the likelihood that you're going to find great success or be hired or whatever, I think forces you into a kind of role which is center-center and center-right. A little left of center is OK if you're prepared to pay a price. I don't regard Bob Kuttner as the

second coming of Friedrich Engels, and he is ostracized by some people as this dangerous leftist, and it's seen as being a little too much to put in places too often. And I have to say that people would regard Al Dunlop as sort of an uncaged animal that you didn't want to put too high up the list either. But in terms of the balance of economic commentary being on the right, at least in the economic sense, I think that's true, because a lot of the economic commentary that's slightly on the right comes from people who are culturally slightly to the left, because their income and other status points them in that direction perhaps.

PAUL VERKUIL: Is it also not true, by narrowing the political divide between policy that David just mentioned, you've talked about—that you then tend to create more opportunity for irrelevant—and factors enter into it. I mean, the whole Paula Jones thing you started off with tends to be the main competition these days, is what you're doing outside of the political realm as opposed to what your policies are. And so you get this worse effect which is not only debating the policies, but you're also debating things that have nothing really essentially to do with what you should be about anyway.

PHILLIPS: Oh, I suppose that's true. I'm just thinking in terms of coverage of economic issues. It does seem to me that there's a socioeconomic bias that comes in there, and then there are all these other factors of just the lack of coverage of anything serious that makes it harder for anything that has a depth that isn't a very acceptable version of it to make it anywhere.

RODIN: That was one of the premises in starting the Commission, that there really were not the venues or the vehicles any longer for the kind of in-depth, serious conversations that one might have about these issues, regardless of what policies were being discussed, because the media really was treating at the surface—not only that there was a particular narrowing of perspective, but that the virtue of the sound bite and the lack of serious articulation of any issue really had led to some of these pressures, and to follow on Paul's point, I think a focus on the politicians rather than the politics. I mean, we're no longer discussing—we don't see the media discussing the process as much as they discuss the people.

PHILLIPS: Well, the process gets discussed, but it gets discussed on page 14 of The New York Times which you may or may not read in the morning depending on how hurried you are. It's understandable.

RODIN: Jay, you're next.

JAY ROSEN: I agree with some of our previous commentators on the floor that your analysis, which is quite compelling in a lot of ways and a good description, is very disabling for us as commissioners. That's not a criticism of you, since as you said, you're speaking on what you were asked to speak upon. But for us there's a challenge to figure out how to take what you've said and ask what we can do with it. So I have one comment about that and then I have a question for you that might relate to that challenge.

The comment is that you made some remarks about K Street and the trade associations gather there and the power of those associations. But I'm interested in the public potential that may still exist within our professions. A profession is not the same thing as a professional association, and within the professions that do exert a great deal of influence in American life, in journalism, in law, banking, maybe even accounting, certainly within the academic profession, there are still reservoirs of public service, of civic identity that are either there as rhetoric, they may be lying fallow as ideals that brought people into those worlds.

There may be a disconnect between those professionals located in Washington who are totally absorbed in the money culture you described and their colleagues out in the rest of the country who don't necessarily see themselves in those terms. There are 15,000 journalists in Washington behaving in ways like you've described, but I know a lot of journalists around the country who are very upset with their colleagues in Washington and don't believe that they are upholding some of the ideals that brought them into journalism and don't necessarily want to go to Washington either.

So for the Commission, one thing we might think about is: Are there ways of reviving...

PHILLIPS: Mm-hmm.

ROSEN: ...the sense of public duty, the sense of duty to the common good, the commonweal within the professions as they exist in lived form, rather than institutional embodiments? That's my first comment. And I think we ought to consider as a commission whether we can address various professions in that way, not by necessarily talking to the president of the ABA, but talking to those who don't necessarily feel themselves represented by the ABA. OK. That's my first poi—and let me go onto my second point (unintelligible).

PHILLIPS: I'll never remember your first if I don't deal with that before you go on to your second.

ROSEN: Go ahead. Go ahead.

PHILLIPS: Yes, I think there's some good points in that. I think there are good points in the whole notion of looking at what can be done in what I call local reinvigorating. In other words, how can you tap the fact that whether it's regions or vocations or what have you, there are a lot of people out there—I mean, it's quite clear that when you go back and you look at the evolution of capital cities, they're like hot houses. They develop the sickness of inbreeding and entrenchment first. Well, there's still a lot more vitality out in the countryside. And I would think that there probably are ways in which you could look at the reinvigoration through vocations, through perhaps ways of setting up—there are people who have looked at the notion of almost like city states and urban areas as metropolitan areas as evolving city states almost in the European sense and trying to go across state boundaries in certain areas. I just grabbed that quickly as one example.

But the strength in this country is far less encrusted out everywhere else than it is in Washington, and I don't think that's going to change in the extent to which you could find ways of pulling that out or emphasizing that. That's probably something that's both safe and constructive—safe chronologically and safe constructive regardless of whatever first develops.

RODIN: Jay, the second half of your question.

ROSEN: OK. This follows on David's point. If I understand your analysis correctly, what you're saying is that political debate in the United States has been fundamentally distorted, off, ill-matched to actual conditions, has been essentially a form of deceit in many ways. And I'm wondering if, based on your analysis, and looking forward to a commission that has to do constructive, imaginative work, you could help us out in imagining what a debate that actually tried to register the real conditions you see before us, actually tried to float or discuss the various choices the country does face that gap beyond some of the banality and familiarity of liberal, conservative, left, right...

PHILLIPS: Mm-hmm.

ROSEN: ...ideological divides, that could be sort of dreamed to life by people aware of the disjunction between debate and the actual conditions of American life? If we were, for example—and this is just a sort of artless way of getting us focused on products—if we were to think of ourselves as producing a videotape of a television program that conducted a real debate about the conditions as you see them happening, what would that debate look like? What would a reconstructed public dialogue about the actual predicament of the country and the choices it faces—who would be in it? What would it sound like? What would be different from the current system? What sort of imaginative play of possibilities would be alive in it? If we were going to try and build a model—a utopian model version of what an actual conversation that the country needs at this moment would be like, what would you suggest to us would be in it?

PHILLIPS: Well, you get me now into political process and ways in which you can do something that picks up slack in an atrophying political process in political institutions. I mean, that's how I read your question, basically. And that's a subject that can be, you know, dealt with at great length. I think one of the—I belonged for a while to something called the Committee on the Constitutional System in Washington looking at ways to try to change the relationships within the government. And one of the things that was thought to be of interest was the idea that you could conceivably have—it

wouldn't work too well with divided government, but it might—you can have members of Congress in the Cabinet. You can't have a Congressman be Secretary of Defense, but you can have them in the Cabinet. You could really try to make something out of the Cabinet as a debating ground. You could have the President take questions in Congress. That's been proposed. Attempts to allow the Congressmen and senators to vote in their home districts have been tabled, but if people were allowed to spend more time at home, you could try to develop more of a participatory pattern from the grass roots, both by holding hearings and sort of spreading Washington out. The idea of citizen legislators and forcing them to spend more time at home.

How a commission that's a private commission gets too far into this, I'm not sure. The Committee on the Constitutional System held some hearings and then some of us delivered comments and analyses and such and several books were published, including those analyses. I don't think it had much effect. You know, so I'm not very sanguine that anything that was done this way would have a whole lot of effect unless somehow the politicians were forced to do it in venues they do not now have to face.

I'd also like to see the United States move in the direction that Canada, the UK and Australia—in other words, all the other major English-speaking countries have already moved in—which is to have referenda on a few carefully selected issues. And the British, for example, are likely to have a referendum on major electoral reform, including getting rid of the House of Lords. The Canadians have obviously voted on Quebec. They may get to vote on some other things. The British would like to have voted on the European Monetary Union. I think we should have voted on NAFTA. I think things like that could be done. Now you've really pulled people in. I'd be very careful of how many things people were allowed to vote on—certainly not the whole California kit and caboodle nonsense where it turns into a joke. But what could be done in Britain and Canada and Australia could be done here. The polls show huge support for that.

I think reinvolving the people is enormously important. In the last election, turnout dropped from 55 percent of voting age population down to about—I

forget what the final number was—48.6, 48.8—something like that. The lowest since 1924. It wasn't even—that's not even a good yardstick to use, because in 1924 women had just gotten the vote and women's turnout was low. Men's turnout in the last election was probably lower than at any point since the Civil War. And it relates, I think, you know, the numbers on the declining participation by males in the work force—very striking—I think it parallels that. There, again, that's something that ought to be some kind of focus. I don't know how reinvolving people in participating when they sit there and they say, 'Jeez, well, who cares? You know, it's not going to mean anything.' How can you make the debate better so they don't feel that way?

RODIN: Right.

PHILLIPS: How can you make them feel better so that they insist on the debate, right? Now you don't get it either way.

ABNER MIKVA: I was trying not to rise to any of the temptations, but one—the referenda really troubled me. It's easy to say, 'Let's not get into California law.' But it's one of those narcotics, that once you start it, then you think that everything can be solved by a referendum. And it's when you mention NAFTA, the idea of putting an issue that can be so demagogued that it actually is more difficult to explain, the referendum scares me.

I agree with you that we need to involve people, but I think there are other ways of doing it. I think we ought to look at the devolution notions that have been somewhat successful in Congress over the last 10, 15 years and use them, because I think it is easier to get people involved at a level where they think they can make a difference. And I would like to see us figure out some way of making state government more involve the people and local government involve people, make them more decision-minded. I think, for instance, the one successful piece of the Chicago school experiment so far has been the decentralization of the school board. It doesn't mean the schools are any better, but people are at least getting a chance to get involved, which they couldn't when you're talking about a national education policy and debating it at a level that they don't understand and don't care about.

I think the idea of getting people involved and just settling for the fact that we're going to keep going down and down and down as people get less and less interested in the national elections is a good idea, but there must be other ways of doing it besides referenda or recall or initiative.

PHILLIPS: I guess my problem here is what does it say if we're the only major nation that doesn't dare use it?

UNIDENTIFIED MAN: Doesn't what?

RODIN: It doesn't use it.

MIKVA: It doesn't dare use it.

PHILLIPS: I mean, if the British, the Canadians, the Australians and New Zealanders and the Irish all use it—and they all do—why don't we, and what does that say? And does it say more about the people, who really have a pretty good pattern of responding when they're pushed to, or does it say more about the leadership elites? I think myself this says more about the latter.

MIKVA: Maybe it says something about the conduits of communication and...

PHILLIPS: That, too.

MIKVA: I mean, maybe it's too...

PHILLIPS: That—absolutely.

MIKVA: ...easy to whip up support or opposition to an issue in this country—easier than it is, perhaps...

PHILLIPS: Oh, the British press is a monument to irresponsibility...

MIKVA: I know, and nobody pays much attention to it.

PHILLIPS: Oh, they pay a lot of attention. I mean, you change the girly pictures on the front page and circulation would be down 50,000 within a day, so they pay attention. The question is—really, I think it's a very hard question to duck, that you have to face it at some point, really. Is there a problem with

the American electorate and are Americans people who can't be trusted in ways that other countries trust their people and more of them vote?

RODIN: Marty.

MARTIN SELIGMAN: My query is like Joyce's and Jay's. I want to ask about a political force that we rarely give its due, and that's the pursuit of virtue. You've talked about the inevitable correctives and the economic cycles and disaster leading to reform, and that's one possibility for our near future.

Another possibility, of course, is that the good times will continue to roll and we'll have stability and growth, and in that case we want to ask the question what will drive politics? And I'd like to suggest that there's a peculiar view of human nature that you've been talking about, and that I think most people in this room believe in, and that is that human beings are motivated entirely by negativity.

And there's an alternate view, that people are sometimes motivated by negativity and other times motivated by pursuing the good. And there's a parameter that may govern that, and that is the extent of troubles that you have. So I'd suggest that in a time of troubles, when you've got economic disaster that people tend to act very narrowly and very selfishly, that they're motivated by scandal, they're fascinated by evil, a disaster mentality.

But in a time in which we're less troubled—and you only have to ask about your own lives as you've grown—that individually in the body politic is more motivated by the pursuit of virtue, that we tend to vote and look for not just the lesser of evils, but the person who gives us a better picture of the world that can come.

So I'd like to suggest that the life of this Commission may occur at a very good time, at a relatively untroubled time, a stable time. And the American public, the electorate, may be more receptive to notions like the pursuit of civility and community and a positive leadership.

PHILLIPS: Well, I don't disagree with the notion that people respond to things other than negativism. I think that's quite true. For one thing, the

influence of religion on voting patterns in American history is very powerful and, I think, continues to be more so than people think—not nearly as much as it was back in the 19th century. But in terms of Americans being narrow in a time of crisis, I don't think that's true. I think actually they've been tested very successfully in elections like 1940 and 1932 and 1964 and 1860.

If there's one thing—I've studied elections for a long, long time—you come out of it with a sense of the extraordinary success, in one respect, of the American system at most points in American history, having been steered correctly by what was, during most of that period, the largest and most broadly enfranchised electorate in the world. And it's one reason why I feel if we've come to the point where you can't trust Americans with a very small group of major issues and referenda, like the British and the French and the Germans and the Italians and the Canadians and etc., we've got a real problem, because in terms of major elections in this country, the people have done a pretty good job.

CLAUDE STEELE: Yeah, I wanted to follow Marty's comment by citing the civil rights movement as, perhaps, an example of a case in point that it was a movement that succeeded in times that were fairly prosperous, and it was also a movement that involved some redistribution of resources. And so I think, as far as the Commission's work is concerned, it might be taken as an example of as you say, having a fortuitous time with which to confront some of these issues, which I think are quite similar to some of the issues in the similar civil rights era, especially around issues of community and so on.

PHILLIPS: I think a lot—if 1999 is a period where we have a continuation of the present business cycle and things are good, you're going to have, as I mentioned, a revenue flow which will enable people to want to do things. And the money will be there if they keep the tax cuts under control, which is sort of like asking them not to eat, but assuming that they do and the budget deficit movement stays pretty favorable, then the revenues would probably, if they continue to come in beyond expectations, be producing a surplus at that point, at which I can imagine, if that were the case, there would be a desire for all kinds of affirmative blueprints to do things that had collected over the

previous 15 years. I don't know what odds they give on that, but I think if that's the case, that there will be some reaction like that.

RODIN: I think this is a very good concluding point for this portion of the conversation. And I want to thank Kevin Phillips for a very provocative discussion and presentation. I think we learned a lot and it raised many more issues, of course, than it's settled which is the purpose of these kinds of initial keynote discussions. We will have a chance, and I think you heard in many of the comments that were made, discussions not only of the issues—the specific substantive issues such as campaign finance reform and the like, that we will be considering through this period, but importantly, the domains of interest, and that is how these cultural variables affect behavior, the failures of leadership and what can be done, either to reinvigorate leadership or to create different venues for leadership and leadership development. And finally and importantly, the role of communities and, as you talked about, regions and other kinds of alternative community-building activities. We've been thinking about that as well.

On a brief housekeeping note, lunch is across the street at the American Philosophical Society Garden. And we can show you where that is. Steve tells me that there's more restrooms here than across the street, so we're in no rush for lunch, and just take your time and come over to a very lovely outdoor setting.

Mr. Phillips, thank you.

PHILLIPS: Thank you.

RODIN: You can leave your things here, too.