

THE BROOKINGS INSTITUTION
BROOKINGS CAFETERIA PODCAST
BREXIT AND THE NEW PLAN FOR NORTHERN IRELAND

Washington, D.C.

Friday, October 25, 2019

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PROCEEDINGS

DEWS: Welcome to the Brookings Cafeteria, the podcast about ideas and the experts who have them. I'm Fred Dews. Brexit, a departure of the United Kingdom from the European Union, is scheduled to occur October 31st, but will it still happen? After recent events in Brittan's Parliament and in the European Parliament, where do things stand now? To help us understand what's going on and what to expect next in Brexit, I'm joined today by Amanda Sloat, the Robert Bosch Senior Fellow in the Center on the United States and Europe here at Brookings. Also, on today's show, Joseph Parilla, Fellow in the Metropolitan Policy Program speaks to the issue of talent development of City and Regional economic development.

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SLOAT: Thanks for having me.

DEWS: I was looking at the calendar. You were last on the show in December of 2018, talking about Brexit when we thought Brexit was going to occur in, I think it was March.

SLOAT: Correct.

DEWS: And here we are in late October. In fact, today is Thursday, October 24th, releasing this on Friday, October 25th, still talking about Brexit 3-1/2 years after British voters approved the referendum. Why are we still talking about Brexit?

SLOAT: The short answer is because the UK Parliament has not ratified the Brexit deal. So, over the last year almost, since you and I spoke, Teresa May brought the deal before Parliament 3 times and it was defeated 3 times. Teresa May herself then lost power this summer and was replaced by Boris Johnson. Boris Johnson has renegotiated the deal but still has not been able to get it through Parliament.

DEWS: That is even though Teresa May and Boris Johnson, they are prime ministers because they have a majority coalition in Parliament presumably. Yet they can't get what they want passed through their Parliament.

SLOAT: Part of the clue is in our question. They do not in fact have majority coalitions. Teresa May started negotiations with the EU in early 2017. Right before she did that, she decided to have snap elections as a way to get herself a larger majority. It was a disastrous result for her. She ended up with a minority government. So, she had to partner with the Democratic Unionist Party, the hardline unionist party from Northern Ireland, which made it a bit more difficult for her to negotiate with the EU on the specifics of the deal. So, when Boris Johnson came in,

he had the same situation where he was dependent on the DUP. He then made the life more difficult for himself by expelling 21 members of his own party for voting against the government on a crucial Brexit deal. So, part of the reason they have not been able to get their deal through is because they don't have a governing conservative majority and the coalition partner, the Democratic Unionist Party has had serious concerns with the Northern Ireland component of the Brexit deal.

DEWS: I want to talk about that Northern Ireland component in more detail in a few minutes, but can you just explain the events of the last few days, even including today, about what's been going on? There's been a lot of activity.

SLOAN: There has. The first thing that happened was Boris Johnson managed to do the impossible, which was to negotiate Teresa May's deal on Brexit. He managed to get the unpopular backstop for Northern Ireland removed and replaced for a protocol for Ireland. He then brought it to Parliament for a vote in a very special sitting for parliament on a Saturday, the first time Parliament has sat on a Saturday since the Falkland's War about 37 years ago. That was on October 19th. The reason why that special Saturday sitting was required was because Parliament had previously passed legislation known as the Benn Act. That is if Parliament had not approved the deal by October 19th, the government had to ask the EU for an extension to the October 31st deadline. Unfortunately, for Boris Johnson, Parliament did not approve his deal on Saturday, the 19th. Instead, they passed another act, the Letwin amendment, which amended his deal and said we don't trust you to complete all of this before the Brexit deadline. They were worried that people would vote on

the deal in principle, not pass the implementing legislation, and that the UK could still end up crashing out on the 31st with no deal. So, they forced Boris Johnson to send a letter to the European Union asking for an extended deadline. Boris Johnson then this past Tuesday could not bring this principled vote back to Parliament because he had already tried once on Saturday. So, instead, brought the implementing legislation, which is what the Letwin amendment had to pass in order for the extension request not to be made.

The second thing which people had not expected to happen was that Parliament finally supported the deal. So, the deal got through with a 30-vote majority, but it's important to realize that that's on the second reading of the deal and that only opened up the process for negotiations and there still needs to be a third reading of the deal. Parliament then took a second vote which was on the program motion. That's the timetable for passage of this. Boris Johnson wanted the deal to get through in three days. Parliament by a vote of 16 said that is too fast; we are not going to support that timetable. So, where we are now is waiting to see if the EU grants the extension request and what Boris Johnson does next.

DEWS: What is the timeline on the EU making that determination?

SLOAT: The current expectation is that the EU is going to make that decision by Friday. so the day that this podcast is being released. Right now they are hoping not to have to convene a meeting of EU leaders. They are doing this by phone calls and by exchange of documents. Right now, if they are not able to reach a decision by Friday, then it is very possible that there will have to be a special summit

next week of EU leaders to discuss this in person.

DEWS: Do you think that the EU leaders and the European Parliament might generally want there to be an extension or are they just going to say you guys are supposed to be here by October 31st; Let's just call it a day?

SLOAT: There is generally an agreement that an extension will be granted. So, I think it is safe to say that Brexit is not going to happen on October 31st, either in an organized way or in a no-deal way. The thing that EU leaders are currently haggling over is what would be the timing of the extension that would be offered. In the letter that Boris Johnson sent which was mandated by this Benn Act that Parliament had passed a couple of weeks ago, they asked for an extension deadline of January 21, 2020. So, that would give the Parliament about 3 months to take additional action. The easiest thing for the EU to do would be to grant the request on the date that the UK requested. That would keep them out of British domestic politics and simply would be responding to what they were given. However, French President Emmanuel Macron has been pushing back on that. He has never been supportive of a long extension. When this extension request was debated in April, he had been pushing for a very much shorter extension than that German Chancellor Angela Merkel and others were requesting. So, the debate that seems to be happening with EU leaders this week is whether or not they go with this January deadline or whether they go with something much shorter. Macron has been suggesting an extension of only a couple of weeks, essentially a technical extension

that says fine. If the British Parliament needs a couple of more weeks to consider the legislation fully, let's grant that to them. The problem, of course, is it's very difficult for Macron to know how much time Parliament needs to complete its scrutiny of the bill. The general expectation is that Macron is eventually going to get overruled and that the EU will offer an extension until the end of January, but that's the issue that everybody is currently waiting to hear from the EU on.

DEWS: I was reading some news reports that suggested the possibility of another Parliamentary election in Britain. Could that occur?

SLOAT: Yes, absolutely. I think it is very likely that we are going to have elections in the UK very soon. The thing that Boris Johnson is going to have to decide, depending on the EU's decision is whether or not he tries to push through this implementing legislation for the Brexit deal and then move to elections, or does he hold elections first, hope that he gets a bigger majority and then bring the bill back, trying to get it through more easily because he has more conservative members on the bench. That is, of course, a gamble if he doesn't end up winning the election.

DEWS: And also, the election, if it's held, could be right around Christmas time which is obviously a very important period for his culture.

SLOAT: Yes, absolutely. So, the way the British election rules work is you need 25 working days or essentially 5 weeks to prepare for an election. So, depending on when the EU makes its decision, depending on what Boris Johnson decides, we could be looking at an election in early to mid-December which, not only coincides with a lot of religious holidays, but also tends to be a dark and

unpleasant time for people to be marching around campaigning and then going to polling stations.

DEWS: If the EU does grant an extension, that would be the second or third extension. Could they say, okay, this is it; we officially say no more extensions and this is the deadline? Is that possible?

SLOAT: So, this would be the third extension. The initial deadline was supposed to be in March. That was then pushed to May or April, depending on how things played out. In April, the EU gave the UK its second extension up until October 31st. So, if this one was until January, this would in fact be the third extension. One thing the EU was worried about is if they grant this extension until the end of January and then the UK goes to elections in early December, then it's going to take a little while for the government to get up and running if it is not a conservative government again, but it is a labor and opposition government. They are going to want to try and negotiate the Brexit deal. So, there was also concern in Brussels that they don't want the UK to come back in January and ask for yet another extension. At the same time, people in the EU do not want to be responsible for the UK crashing out with no deal. I think they have been willing to entertain some of these extension requests to ensure that there is not no deal, but there certainly is great fatigue within the EU about how long this debate is dragging on. Brexhaustion is what many people are calling it.

DEWS: I also read a news report this week that Jo Swinson, who is the leader of the Liberal Democrats in the UK was pushing for a second referendum, a people's

vote, I think they're calling it. Is that even a possibility?

SLOAT: So, there continues to be a lot of discussion about a second referendum. The question is how you would get there. There a couple of different possibilities. One is this withdrawal agreement bill that Boris Johnson has brought before Parliament. As I mentioned, Parliament took a vote at the second reading of the bill. There now needs to be a process of scrutiny of the bill and there is the possibility to amend the bill. One of the things that people are wanting to amend is to include a provision for a second referendum. So, that is the legislative option that some proponents of a second referendums are trying to use. This, of course, would be of concern to Boris Johnson that he could perhaps get his bill through Parliament, but it would come with this clause requiring a second referendum. The second possibility is going to be through the general elections. If we end up moving to elections before there is further consideration of this withdrawal agreement bill, it will depend on what the outcome of the elections are. The conservative government certainly is not going to campaign for a second referendum. Labor's position has been a bit ambiguous on this because Jeremy Corbin, the leader of the Labor Party, essentially supporters Brexit. His position is elect me as prime minister. I will negotiate a better Brexit deal, and then we will have a second referendum on whether you want my deal or whether you want to leave. Joe Swinson, as you mentioned of the liberal Democratic Party, has a position that says if you vote for the lib demos in the election, we will just make this entire Brexit process stop. Some people have argued that that's undemocratic because it would overrule the results of the

referendum. She would argue that it is democratic because you would argue for her position, knowingly going into government. The reality is that the liberal democrats are not going to get a sufficient number of seats to provide a government themselves. They would need to go into coalition with the Labor Party who is not going to support an immediate revocation. So, essentially, it's a bit of an election ploy by the Lib Dems, but they are continuing to advocate for this change to the legislation.

DEWS: I'm going to stick on political questions for a few more minutes before we go to Northern Ireland, and that has to do with Boris Johnson's own political standing. I think it was in September that he prorogue Parliament; that the UK Supreme Court said he wasn't actually able to do that. How does he continue to have support as Conservative party leader and Prime Minister? Another question I think that came up -- can he be somehow impeached, to use an American term, or removed from power, or is it all about the election?

SLOAT: Those are all very excellent questions. Taking them in turn, on the prorogation, that was a controversy a couple of weeks ago where Boris Johnson decided to prorogue Parliament, which is a fancy word for suspend Parliament. If you think about the American system, essentially every two years, we have elections and that resets things in Congress. So, legislation that was introduced that doesn't pass by the end of that term goes away and would need to be re-introduced in the next session of Congress when they come back. The UK's Parliamentary system does not have that. So, what you need to do periodically, often once a year, is prorogue Parliament for a short period of time. You close Parliament. Existing

legislation goes away. The Queen comes in and makes a speech outlining her government's policy agenda, similar to the State of the Union address in Washington. Then Parliament ends up voting on that or moving forward. Boris Johnson took the unusual step of trying to prorogue Parliament for five weeks, which many saw as being politically motivated to stop Parliament from taking steps to stopping no-deal Brexit. Yet Parliament managed to pass the Benn Act that we were talking about earlier, forcing the government to ask for this extension to the EU. So, they did not essentially achieve the aims in proroguing Parliament, but you are right that the Supreme Court and the UK rules that Boris Johnson had unlawfully advised the Queen to suspend Parliament. In most cases, this would be enough to get rid of the Prime Minister, but he has managed to soldier on. About a week ago, Parliament was prorogued for a very short period of time.

The Queen came and delivered a speech setting out Boris Johnson's agenda which he wanted to do since he has now replaced Teresa May and has his own agenda. Today, Thursday, the British Parliament is expected to be voting on the Queen's speech, to be voting on the legislative agenda which was laid out by Boris Johnson. There are questions about whether or not Parliament is going to support this legislative agenda, in part because they don't have the legislative majority that we were talking about in the pass. Now, normally if a Parliament votes down a government speech, that is essentially seen as a vote of no confidence in the government, which could end up bringing the government down. People are not going to want to do that while all of these Brexit debates are playing out. We've also

had the very unusual situation where Boris Johnson has essentially been goading Jeremy Corbin and the opposition into calling a vote of no confidence in him, because that would be one way to trigger oppositions, but the opposition has not wanted to do that because they have wanted to guarantee that there is not a no deal Brexit before they move to elections. So, yes, there would be a mechanism to bring down the government with this vote of no confidence, but opposition parties have been resisting that while these Brexit debates play out.

DEWS: Well, let's turn to Northern Ireland now. It's been a sticking point in all kinds of negotiations over the last year or so. You just recently testified to a House Affairs Sub-Committee on the issues regarding Northern Ireland. Can you first remind listeners what the backstop issue was that you referenced earlier?

SLOAT: So, the biggest challenge for getting a Brexit deal completed concerns the handling of the border in Northern Ireland. Once the UK leaves the European Union, it in theory would leave the customs union and the single market. Northern Ireland will remain part of the UK, but it shares a border with the Republic of Ireland which is a EU member state and will stay in the EU. So, the challenge with handling the border is how you ensure that any goods that are crossing that border from Northern Ireland into Ireland comply with EU health and safety and other regulations. At the same time, because of the unique situation in Northern Ireland, the legacy of the conflict, there is a desire to avoid putting any physical infrastructure on the border which would be very practically challenging for people, but also quite psychologically devastating since one of the main benefits of the Good

Friday Agreement had been removing a lot of these checkpoints that were physically dividing the island.

DEWS: And the Good Friday Agreement was the agreement brokered in the 1990's amongst the factions that ended what we called "the troubles".

SLOAT: Absolute. That was signed in April of 1998 and it did a number of things. It ended up reducing the British military presence. It got paramilitary groups to decommission their weapons. It led to the removal of checkpoints on the border. It established an assembly in Northern Ireland which enabled power sharing between the two communities. And it really put to rest a lot of these identity questions because Nationalists were able to feel secure in that they had a much greater say in policing and governing arrangements, and the Unionist community felt confident in the sense that the violence was ending and that there was not going to be a change in the Constitutional status unless there was a referendum. So, unfortunately, what's happened with Brexit is it has led to a resurgence of identity politics. It has brought these identity questions back to the fore, and it has raised a lot of concern about what is going to end up happening as a result of Brexit.

DEWS: So, what are the new or the different policy ideas that are being talked about, instead of a backstop in Northern Ireland?

SLOAT: So, first, to remind listeners what the backstop was, the EU said, hopefully, we in the UK can address the border in discussions about what our future relationship looks like during the transition period. The expectation is once the UK leaves the EU, there will be a transition period of 15 months, 2 years, depending on

what they decide. During which time, the UK will remain part of the EU rules and structures but will not have a say. So, that will give people time to transition to the new arrangements and it will also allow the UK and the EU to decide what their future relationship looks like. What the EU said is, if we are not able to reach that arrangement or if we don't come up with mechanisms to address the border, then we're going to have this backstop.

The backstop said that all of the UK would remain an "A" customs union with the European Union and that additional single market provisions would apply on goods and agriculture products crossing the border in Northern Ireland. This was all an effort to try and minimize the need for customs checks on the border in Northern Ireland. The initial suggestion had been that this backstop apply only to Northern Ireland itself, but the DUP who was propping up Mays' government did not want Northern Ireland to be treated differently from the rest of the UK. So, the backstop was expanded to apply to the entire UK.

This created problems for hardline Brexiteers who feared that they would get trapped in the EU customs union indefinitely and would not be able to negotiate free trade agreements with countries like the United States and others. So, what we have now that Boris renegotiated with the European Union is that the backstop was removed completely, so the insurance policy is gone. Instead, what we have is a mechanism, a protocol for Northern Ireland that would take effect as soon as the transition period had ended. It says several things. One, the entire UK will leave the EU customs union. However, Northern Ireland will remain aligned with EU rules on

customs union and on value added tax. So, you have a fairly complicated situation where in regulatory terms, Northern Ireland is going to follow a limited number of single market provisions, things like goods and agriculture. There simply is no way around that. There has to be some regulatory alignment there. It is in some way similar to what the Northern Ireland only version of the backstop had been, which is that Northern Ireland remains in the EU customs area but is going to have to follow provisions of the EU customs areas itself. What that means is rather than checking goods on the Irish border in a North/South sense, you will now check goods instead in an East/West sense in the Irish Sea. So, goods that are moving from Great Britain to Northern Ireland will have to be checked at that point instead.

DEWS: That sounds like an administrative and regulatory challenge to say the least.

SLOAT: Absolutely. And that is certainly something that people are concerned about. So, goods moving from Great Britain to Northern Ireland would not be subject to a customs tariff unless they are seen as at risk of continuing to the EU. So, Great Britain, of course, can ship things to Northern Ireland. If they stay in Northern Ireland, that's fine. If there is a risk that things are going to move from Northern Ireland down to the Republic of Ireland, then they will have to be checked and the EU customs would have to be applied. Then you get into a complicated situation where the seller of the goods would potentially have to apply for a rebate or get a rebate. Value added tax was the final sticking point in all of this. Northern Ireland will remain in the UK's vat area but aligned with EU vat laws. It says that

the UK could apply vat exemptions and reduced rates in Northern Ireland, but they can't be lower than the rates in Ireland itself. One of the main differences between this protocol and the Northern Ireland only backstop is the idea of consent. This was one of the things that the Democratic Unionist party had been quite concerned about. They said if Northern Ireland is going to be treated differently from the rest of the UK, we need to ensure that there is consent from the local people there.

There had been lots of discussions about how you best do this, especially given that the Northern Ireland Assembly which would be the body to give this consent has been suspended since January of 2017. So, we are soon going to be approaching the 3-year mark of having no local governance in Northern Ireland.

So, what this mechanism says is that 4 years after the transition period, the Northern Ireland Assembly will vote on whether this protocol continues. If the vote passes by a simple majority, then this simplicity, you are not due for another 4 years. The DUP is concerned about this, because it doesn't necessarily give them a blocking majority and it introduces the idea of majority voting into a system which is trying to rely on cross community support. The mechanism then says if the deal does have cross community support, some majorities from unionist and nationalist communities. Then the provisions would apply for 8 more years. If the assembly votes against these protocols 4 years after the transition, then they would lose force after 2 years and a joint committee would have to try to come up with new mechanism to try to handle the Irish border.

DEWS: Sounds massively complicated.

SLOAT: Clear as mud. Clear as mud.

DEWS: Let's move on to our final topic here. That is what role, if any, has the Trump Administration played between the UK and the EU. I'm struck again by your reference to the Good Friday peace accords because I know the United States government was essential in those negotiations back then. Does the Trump Administration have a role? Should it even have a role?

SLOAT: The Trump Administration has not been playing an active role on the ground in Northern Ireland. The United States, for decades, had had a bipartisan approach to peace in Northern Ireland, dating back to Ronald Reagan and Jimmy Carter expressing support for peace talks, pledging financial support from the United States in support of that. We then had a long period where the US had envoys to help negotiate peace in Northern Ireland. George Mitchell, of course, helped negotiate the Good Friday Agreement. Richard Haus was involved in getting the IRA to decommission weapons. Gary Hart played that role during the Obama Administration. So, there has been a long history of American involvement.

The Trump Administration decided not to have an envoy for Northern Ireland. They decided as part of Tillerson's effort to reduce the number of envoys generally, that this role was going to be done by the State Department itself. It would be a way of saving money. They didn't see the necessity of it with the assembly there. So, the US has not been involved on the ground in playing an honest broker role like it has in the past. You could envision in an administration of a different nature that the US would be involved in some sort of shuttle diplomacy between the

British government, the Irish Government, the political parties on the ground, either to try to get the assembly itself stood up which is a problem. It has not sat for so long. Or to try and find some sort of arrangement for the border in Northern Ireland that would end up being a solution that would work for everybody.

Beyond benign neglect, I would argue that the Trump administration has actually played a damaging role in these negotiations. It is no surprise that President Trump sees the EU as what he has described as an economic foe. He has described Brexit as a great thing. He has essentially been cheerleading extremists in the UK that are advocating a no deal Brexit. Donald Trump has been arguing that the UK should just leave the European Union and then move quickly to have negotiations with the United States on a free trade agreement.

The problem with that approach is it would end up being very damaging with the situation with the border of Northern Ireland if it was to leave without a deal. There has been some pushback on this from Congress. House Speaker Nancy Pelosi went with a delegation in the spring to London, Dublin, and Belfast, and said very clearly that the US Congress, which is responsible for ratifying any bilateral trade agreement, would not support an agreement that harmed the Northern Ireland peace process. So, this is a message that she, the Chair of the Ways and Means committee, and others have been making very clear, that if the UK does leave without a deal, if they have an arrangement that hurts northern Ireland, if not impossible, to get a bilateral free trade agreement with the US, approved by Congress.

DEWS: Amanda, I want to thank you very much for walking us through this

deep dive on issues with Brexit. I know it is a fast-moving story. So, I appreciate your time today.

SLOAT: Absolutely. I fear we could be having a similar conversations month from now. It is important to remember that we really are only at the end of the beginning. Right now we are trying to finalize the divorce settlement, and even if the US Parliament eventually ratifies the agreement, it then needs to be ratified by the European Parliament. At that point, we move into the transition period and the two sides then need to decide what their future relationship looks like. Is it a free trade agreement? Is it a customs union, so many questions there? So, even if this is wrapped up in a couple of months, we are sadly far from the end in these Brexit discussions.

DEWS: All right. Then we will talk again in a few months.

SLOAT: Excellent. Thank you.

DEWS: You can learn more about Brexit on our website, Brookings.edu. Now, here is Metro Lens with Joseph Parilla, Fellow with the Metropolitan Policy Program.

PARILLA: Hi, this is Joseph Parilla, Fellow here at the Brookings Metropolitan Policy Program. In a recent book, the Harvard economist, William Kerr argued that talent is the world's most precious resource. In the United States, that is undoubtedly true. The collective knowledge and capabilities of the U.S. workforce is worth an estimated \$240 trillion. That is 4 times more valuable than the

country's physical capital stock and 10 times more valuable than all the urban land in the United States.

So, given this relative value, it is not surprising that an overwhelming body of evidence concludes that economies grow when they develop and deploy their people in ways that maximize their productive potential. So, this is why the nation invests nearly \$1 trillion per year in education. But even with this investment, talented pathways in the United States, are too unclear and unequal, which limits the supply of prepared workers. At the same time, private sector hiring and training norms have shifted in ways that undermine a more inclusive form of talent development. Both of these issues impact the ability of cities and states to grow and prosper.

Yet local and state economic development policy is still struggling to address these labor market challenges. Historically the job of economic development was simply to focus on, well, jobs, and leave workforce preparation to the education and training system. The reality today is that work force capabilities are paramount to economic development interests. Talent matters to business attraction. High profile economic development competition such as Amazon's second headquarters came down to talent. Talent matters to business expansion, too. In one survey, 1 in 4 mid-sized businesses said they could create more jobs if they had workers to fill them. In a recent report, Stephan Lou and I argue that economic development organizations need to evolve to focus more on these types of talent development issues, but how they do that is very important. Their value proposition should focus

on their distinct capabilities, things like strong economic development research, financial resources, and the ability to coordinate and recruit businesses to broader regional training efforts.

So, let's take financial resources as an example. Financial resources refer to the estimated \$50 billion in economic development incentives that local and state governments provide to businesses each year. Yet only about 2 percent of these incentives or only about \$1 billion per year go to job training. This is a striking disconnect for 2 reasons. First, work force drives business sites selections decisions. Ninety-five percent of executives rate the ability of skilled labor as very important or important in their site selection factors.

Second, the return on investment from customized job training incentives as measured from job creation is about 10 times higher than that of traditional tax incentives. So, our recommendation is that state governments recalibrate their incentive programs to focus more on job training. In a recently released book, economist Tim Bartik offers a useful scenario in which localities and states cut their incentive in half, to about \$25 billion per year, but increase the share of customized job training incentives to about 20 percent of incentive spending, infusing about \$4 billion in training resources into the economy each year. That infusion would nearly equal the entire federal government's annual spend on job training. This is but one area in which economic development could evolve. The report is filled with many more arguments and practical examples of how economic development organizations could practical utilize their research, resources and relationships to support talent

development and deployment. You can find that report on our website at Brookings.edu.

DEWS: The Brookings Cafeteria Podcast is the product of an amazing team of colleagues, starting with audio engineer Gaston Reboredo and producer Chris McKenna. Bill Finan, director of the Brookings Institution Press does the book interviews, and Lisette Baylor and Eric Abalihin provide design and web support. Our intern this fall is Eowyn Fain. Finally, my thanks to Emily Ramirez and Emily Horne for their guidance and support.

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Until next time, I'm Fred Dews.

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