CAMPAIGN FOR WORKING AMERICA

Trump's Folly, Harris' Opportunity:

Trade and the Hourly-Wage Worker

EDWARD GRESSER
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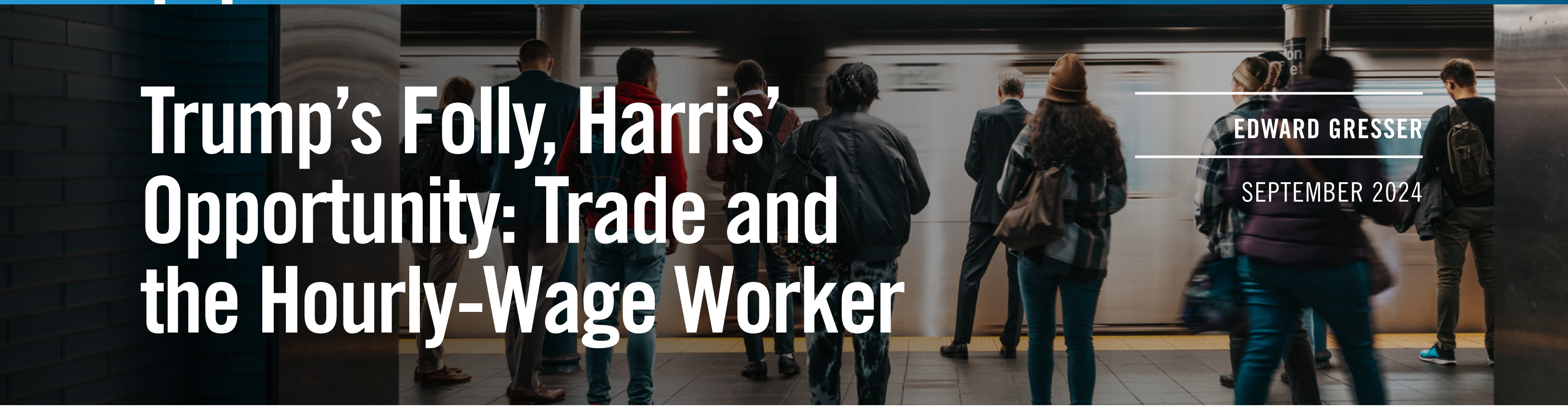
ABOUT PPI'S CAMPAIGN FOR WORKING AMERICA

The Progressive Policy Institute launched its Campaign for Working America in February 2024. Its mission is to develop and test new themes, ideas, and policy proposals that can help Democrats and other center-left leaders make a new economic offer to working Americans, find common ground on polarizing cultural issues like immigration, crime, and education, and rally public support for defending freedom and democracy in a dangerous world. Acting as Senior Adviser to the Campaign is former U.S. Representative Tim Ryan, who represented northeast Ohio in Congress from 2003 to 2023.

Since 2016, Democrats have suffered severe erosion among non-college white voters and lately have been losing support from Black, Hispanic, and Asian working-class voters as well. Since these voters account for about three-quarters of registered voters, basic electoral math dictates that the party will have to do better with them to restore its competitiveness outside metro centers and build lasting governing majorities. The party's history and legacy point in the same direction: Democrats do best when they champion the economic aspirations and moral outlook of ordinary working Americans.

To help them relocate this political north star and to inform our work on policy innovation, PPI has commissioned a series of YouGov polls on the beliefs and political attitudes of non-college voters, with a particular focus on the battleground states that have decided the outcome of recent national elections.

This report is the fourth in a series of Campaign Blueprints that can help Democrats reconnect with the working-class voters who have historically been the party's mainstay.



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INTRODUCTION

Sometimes countries make big and fateful choices, and one is coming soon. Eighty years after the birth of postwar liberal internationalism, with its system of alliances among democracies, trade liberalization, and international law, Donald Trump's 2024 campaign aims to recreate the policies of Franklin Roosevelt's isolationist predecessors and opponents.

Lifting the name and ideology of the "America First Committee" — a group organized to oppose military aid for Britain as it fought alone in 1940 — Trump's program implies rupturing NATO and other core alliances, and ending aid to Ukraine. Matching this political retreat, it attempts to resurrect the economic isolationism Herbert Hoover ran on in 1928,[1] proposing tariffs of 10% or 20% on all goods — energy, cars, peaches, OTC medicine, all the rest — and of 60% on Chinese-made goods.

And sometimes big choices go badly wrong. American isolationism in the 1920s and 1930s helped make World War II possible. The "America First Committee" policies, had the U.S. adopted them in 1940, might have caused its loss. Hoover's 1930 tariff hikes, advertised as a way to keep U.S. wages high and jobs at home, provoked retaliations and a deepened economic contraction, leaving exporters bankrupt and workers unemployed. These ideas' return in 2024 presages a time in which American influence falls abroad, the cost of living soars at home, the U.S. and global economies grow more volatile, and the risks of world politics rise.

The right response to bad and dangerous ideas is to reject them and propose something better. Vice President Harris has made a very good start on this as nominee. Politically she has chosen continuity, underlining the importance of NATO and U.S. alliances generally, and maintaining military aid to Ukraine. Economically, from an August economic speech to the first volley of her September debate victory over Trump, she has replaced the soft, "blur-the-differences" approach Hillary Clinton took in 2016 by opposing President Obama's Trans-Pacific Partnership and the Biden administration adopted[2] in early 2023 with a direct attack on Trump's Hooverite tariff obsession. Here's the speech version, which calmly and precisely explains Trumpism's cost for working families:

> **"He wants to impose what is, in effect, a national sales tax on everyday products and basic necessities that we import from other countries. That will devastate Americans. It will mean higher prices on just about every one of your daily needs: a Trump tax on gas, a Trump tax on food, a Trump tax on clothing, a Trump tax on over-the-counter medication. ... Donald Trump's plan would cost a typical family $3,900 a year. At this moment when everyday prices are too high, he will make them even higher."[3]**

Here, Harris accurately describes Trumpist economic isolationism and connects it to a core public concern. The next step is to offer a choice between Trumpism's risks and resentments on one hand, and on the other a plan to lower costs for families, strengthen relations with America's friends, and help workers raise their pay and improve their jobs. To envision what it might be, keep the basics in mind, assess the places in which "Bidenomics" fell short, and look at a model of the way clear and simple language can help organize thought and policy.

ORWELL, BUTTIGIEG, AND THE LIMITS OF "WORKER-CENTRED TRADE POLICY"

This is Secretary of Transportation Pete Buttigieg, concisely summarizing the economic goals of trade policy as he explains the Bipartisan Infrastructure Act's $17.4 billion seaport program:

> **"[H]elp keep prices down, shelves stocked, and American farms and businesses selling their goods around the world."[4]**

Like Harris' deconstruction of Trump's tariff plans, Buttigieg's 17-word pitch perfectly matches George Orwell's advice in *Politics and the English Language*[5]: connect actions to things people care about, choose the blunt Saxon root over the sinuous Latin intruder when you can, and always "us[e] the fewest and shortest words that cover one's meaning." President Biden's port spending will cut prices, give you more choice, and (if you're in farming, energy, or manufacturing) help you sell more abroad. With the main points settled, a detailed discussion of port investment adds color and specificity rather than burying ideas in statistics and legal terms of art. That works.

The Biden administration's more traditional trade and economic agencies never quite did this. The NSC/NEC, Commerce, Treasury, and U.S. Trade Representative speeches and documents often used the blurrier polysyllables and neologisms Orwell disliked: "supply-chain resilience" (elastic meaning, vague relevance to daily life); "neoliberalism" (baffling); "foreign policy for the middle class" (also baffling); "friend-shoring" and "reshoring" (a bit more accessible, but not much), and so forth. And as Orwell says, blurry language often exposes unclear concepts and unfinished ideas.

To be fair, they were trying something hard. Their honorable goal was to find a trade program particularly useful to blue-collar, hourly-wage workers. With this in mind, they spent Biden's four years looking for a new approach that abandoned the liberal-internationalist, tariff-reducing path that Presidents Roosevelt and Truman laid out in the 1940s and their successors up to President Obama extended, but didn't resemble Hoover-Trump isolationism and economic nationalism. Over its four years, the administration developed some very useful individual policies. But the overall vision in practice often seemed to mean dropping much of trade policy as such — tariff negotiations, the WTO dispute settlement, most of digital trade policy — as controversial among particular interest groups or too reminiscent of Obama and Clinton policies — and hoping supply-chain management talks and labor and environmental policy could replace it. One of the administration's behind-the-screen navigators, former National Security Council "IntEcon" lead Peter Harrell, sadly observed last spring that it never came together:

> **"[O]ver the past three years, U.S. Trade Representative Katherine Tai and National Security Advisor Jake Sullivan have worked to articulate a 'worker-centered' trade policy," and "Treasury Secretary Janet Yellen has also popularized the concept of 'friend-shoring' — the idea that U.S. allies and partners can benefit as multinational corporations diversify away from China. … [But] when it comes to the brass tacks of trade — trade deals, tariff lines, the paperwork that companies have to file at the border, and other mechanics — U.S. President Joe Biden's administration has not articulated a coherent agenda."[6]**

The obvious question: Why didn't they?

A successful trade policy can help improve job quality and security for workers. The Biden team wasn't wrong to give these things high priority. Whether measured in annual income and family wealth, unemployment rates and job security, health care coverage and health outcomes[7], or other "metrics," life is harder in blue-collar, hourly-wage, high-school America than in professional, salaried, college-educated America. The Biden team was right to say trade policies can and should do more to help. But trade policy can also help build alliances, ease the cost of living, lift farm income, encourage innovation, create more stable global growth and reduce poverty in poor countries, promote the rule of law, and keep inflation down. Dropping these goals as insufficiently worker-related means lost opportunities for Americans in general (including blue-collar workers), and smaller political coalitions for an administration's policy.

Developing a distinctive "worker" policy also runs into the problem that workers' interests often diverge, and sometimes conflict. The defensive, tariff-heavy policy the Biden team inherited from Trump, and mostly kept in place, appealed to some groups of workers but damaged others. The U.S. International Trade Commission's 2023 review of Trump administration steel and aluminum tariffs illustrates this, concluding that as of 2021, the tariffs had raised the two metals' output by about $2.2 billion, but shrunk the output of auto parts, machinery, tools, and other metal-using manufacturers by about $3.4 billion.[8] And, of course, most hourly-wage Americans don't work in manufacturing or goods production at all. They care a lot about prices, especially after the inflation burst of 2022, and the administration's decision to avoid tariff reduction gave up a chance to help them.

So the Biden team began with a core concept probably more limiting, less internally consistent, and harder to describe in Orwell's few short words and then turned into Harrell's "brass tacks" than it first realized. The ill-advised turn away from liberal internationalism in early 2023 made it harder still.[9] But though an error, this was a pause rather than a Trump-like debacle and can be rethought. The Biden team did launch some good specific policies that candidate Harris can refine and amplify, and their hope to give particular weight to trade and other policies to blue-collar interests still has promise.

So as Vice President Harris opens her fall campaign, here's an unsolicited set of ideas as a starting point. It has one guidepost — "workers" are diverse and mostly non-industrial, they care about more than import competition, and non-industrial workers have just as good a claim to consideration as factory hands — and four goals: (1) lower costs, (2) open paths to higher-paying jobs, (3) make the right exceptions to generally good rules, and (4) help workers rebound from job loss.

GUIDEPOST: "WORKERS" ARE DIVERSE AND MOST ARE "NON-INDUSTRIAL"

As a starting point, a policy meant to help workers needs to begin by understanding who today's "workers" are. The term itself often evokes a stereotyped early 20th century image that can limit policy thinking: a physical laborer, probably male, likely a union member, most likely on a factory assembly line, but maybe on a farm, a mine, or a construction site. Many 21st-century American workers do earn their incomes exactly this way. The Bureau of Labor Statistics reports that in 2023, almost 16 million of the 80.5 million American men and women working for hourly wages were in goods-producing industries: 8.9 million factory workers, 0.8 million hired hands on farms, 5.7 million in construction, 0.3 million in mines and drilling platforms.[10]

It is appropriate and admirable to give their lives and aspirations weight, but they are nonetheless a minority of "workers." If 16 million hourly-wage workers are "industrial," 64 million are "non-industrial." According to BLS, 12.5 million are health and social assistance providers — caring for children and older Americans at home or doing support work in hospitals and clinics. Another 10.9 million are in retail, stocking shelves and ringing up purchases at cash registers; 8.2 million cook, serve, and bus tables in restaurants and bars. Another 3.9 million handle transport and logistics, and 2.8 million range from hair stylists to security guards in a diverse 'other services' category.[11]

These workers have an equal claim to consideration in policy. A "worker-centered" trade policy that dismisses their needs and interests — as the Trump campaign's tariff-centered program does — may help some workers, but mostly at the expense of many more. J.D. Vance's surreal campaign, calling on one day for higher toaster prices to support "one" manufacturing worker and on the next lamenting the high cost of groceries, is an illustration of this. Even a program that explicitly considers only manufacturing and views non-industrial workers as less important, if it defines the main goal of policy as the defense of factory workers against overseas competition through tariffs, quotas, and Buy-American rules, will wind up supporting some especially visible factory workers and companies while unwittingly harming others as the Trump administration's metal tariffs did.[12]

How might we do better? Remembering how large the working world is, the best thing to do is ask what hourly-wage America wants to see.

Surveys like PPI's polls of non-college Americans PPI this year, suggest that the cost of living is the top priority, pay, and job quality remain very important concerns — and would presumably rise rapidly during economic downturns — and job security another. A program focused on achieving as much of these as possible for the largest number of workers, and recognizing the need for occasional exceptions for national security or other overriding priorities, should work.

1. Cut Costs for Working by Cutting U.S. Tariffs: First, hourly-wage workers — hair stylists, assembly-line factory workers, waitresses, repair-shop techs, retail cashiers, bus drivers, or security guards — earn less than their salaried colleagues and fear inflation more. Over two-thirds of respondents to PPI's 2023 poll — 69% — reported either "inflation outpacing the economy" or "the high cost of living" as their top economic concern.[13] It's easy to see why, and not much harder to show why cutting tariffs on consumer goods would help them more than most.

The Bureau of Labor Statistics' annual Consumer Expenditure Survey gives detail on this. In 2022, it says, an average single-parent American family earned $53,674 per year and spent $17,718 of it — a third of its income — buying physical goods.[14] Families like this get scared when prices rise — for good reason, since they have little cash to spare after rent, utilities, and other necessities. By contrast, the Consumer Expenditure Survey's wealthiest households, averaging $322,568 in income annually, spend $42,200 on goods — about 13% of earnings — and easily save enough to offset any rise in prices.

Here, as Vice President Harris has recognized, the Trump campaign's constant pitch to raise tariffs is a massive weakness. A tariff, by definition[15], is a tax intended to raise the price of a good. Mr. Trump's tariff increases on metals and Chinese-made goods in 2018 doubled the average U.S. tariff rate in three years, likely raising overall U.S. prices in a range of 0.3% to 1.3%.[16] His campaign's proposal — a 10% or 20% overall tariff and a 60% tariff on Chinese goods — will hit much harder. Researchers from left,[17] right,[18] and center[19] expect[20] the 10% variant to raise the cost of a middle-income family's home goods purchases by 8% to 10%, as tariffs add $1500 to $1800 to the $20,226 the average American household now spends on food, clothes, appliances, cars, and other consumer goods each year. The 20% variant, newer and less studied, elicits estimates of $2,600 to $3,900 more in costs.

This type of price increase, centered on home goods, hits hourly-wage families hardest since their bills for home goods eat up much more of their income.[21] Nor, incidentally, are families the only payers. Considered as a business tax, tariffs are a selective tax on goods but not on services, and on input costs but not profits. So in practice, tariffs tend to favor financial services and real estate, and penalize goods-users, including retail, agriculture, home building, and manufacturing. In fact, fully a third of the U.S.' $3.1 trillion in imports each year are "intermediate" goods used by manufacturers, farmers, and other industries. This means a high overall tariff will – like the Trump-era metals taxes, but much more extensively — raise production costs and erode competitiveness for U.S. factories while raising home prices.

Having rightly bashed Trump's plan to raise costs through higher tariffs, the Harris campaign should logically move on to promise some relief. An obvious way to do this, without worrying about competition from abroad, would be to abolish junk tariffs which raise consumer costs — often by surprisingly large amounts — without protecting any American jobs or production.

Are there such things? Yes. The U.S. tariff system has 11,414 "lines," each with its own product. They range from zero on personal computers and coffee to 48% on cheap sneakers, zero on toys, and 28.5% on low-priced drinking glasses. This summer's focus on grocery prices suggests more examples: 11.2% on canned corn, 14.9% on baby carrots, and 10% on the humble fish stick.[22] Hundreds or perhaps thousands of these lines — the cheap sneakers and the drinking glasses, for example — are fossilized relics of the 1950s, imposed on goods not made in the U.S. for decades. Their only effect is to raise prices, often in ways flagrantly biased in favor of rich shoppers and against hourly-wage families. As we've noted in past writing, and recent academic literature (see, for example, Cox & Acosta 2024) demonstrates in detail, the tariff system taxes cheap mass-market goods much more heavily than directly analogous luxuries. A sterling silver spoon, for example, gets a 3.3% tariff and a cheap stainless steel spoon 14.0%; a men's silk shirt 0.9%, barely a twentieth of the 16% tariff on a middle-class cotton shirt, and less than a thirtieth of the 32% on working-class polyester.

This is a system ripe for "worker-centered," or at least "working-family-centered," populist reform — even before considering the weird gender bias of the tariff system's clothing chapters. These extract $2.5 billion a year from American women by taxing their shirts, pants, and even their underwear[23] more heavily than exactly analogous men's products.

So Ms. Harris has a chance to do something almost totally fresh (or, more precisely, not tried since before World War I): to review a sprawling, little-understood, and often antiquated system and reform it to remove regressivity, gender bias, and useless burdens on working-family budgets. The place to start is the "Pink Tariffs Study Act" introduced this May by Representatives Lizzie Fletcher (D-Texas) and Brittany Pettersen (D-Colo.).[24]

2. Encourage Exports to Help Workers Earn More: Second, exporters provide good jobs, and trade policy can do a lot more than either the Trump or Biden administration did to help them.

Exporting firms, on average, employ more workers at higher pay. A Census/Bureau of Economic Analysis statistical examination reports, for example, that African American exporters averaged 10 more workers at $10,000 more in payroll per worker than the U.S. business community as a whole...[25] Likewise, in rural areas, farm exports — sales of Iowa soybeans to China, Montana beef to Korea, and California almonds to India — support about 20% of farm production and income. This, in turn, creates work in transport, warehouses, farm-supply shops, and other walks of life.

Here, useful and often creative new programs scattered through Biden's economic agencies give Harris much to work with. Secretary Buttigieg's port upgrades; the Commerce Department's Global Diversity Export Initiative is a creative and optimistic effort to bring more African American businesses, more women-owned firms, and more Hispanic, Native, and Asian-American businesses to export markets[26]; the Ex-Im Bank's ability to finance export entry for over 1,000 small businesses a year[27]; collaborations between the U.S. Trade Representative Office and the Agriculture Department's international team to get almond sales open in India.[28]

But these support programs need a negotiating complement. Tariffs and other barriers abroad also raise costs and block entry for aspiring American exporters. Why are we not now trying to reduce India's 18% tariff, rationalize Europe's spiky web of food and agricultural trade barriers, or simplify Nigeria's arcane and often unpublished "technical standards"? Here the turn away from liberal internationalism and multilateral tariff reduction backfired and gave up a chance to help workers earn more and multiply the Census/BEA counts of African-American, women-owned, and other high-wage exporters. The Biden-era pause on market-opening agreements and negotiations should accordingly stop — and if it does, we will find a lot of willing partners ready to start, beginning with obvious opportunities, including a U.S.-U.K. free trade agreement and a return to the Comprehensive and Progressive Trans-Pacific Partnership Agreement.

3. Make the Right Exceptions (But Limit Them and Keep Most of them Temporary): If tariffs hit working families hardest, and exports create high-quality jobs, what remains of the Biden team's hope for a program clearly different from those of its predecessors? In particular, its signature commitment to use government power and money to re-energize struggling manufacturing industries and "decarbonize" transport? The Biden team was right to note that every generally good rule has a few exceptions. The trick is to recognize when they are necessary, avoid making too many, choose the right ones, and don't let them evolve into entitlements.

One example is Treasury Secretary Yellen's effort to encourage diversification of sourcing, and avoid over-reliance on Chinese supply of security-sensitive or systemically important inputs for manufacturing and technology.

Another example is the largest element of the Biden administration's "industrial strategy," and the one involving most trade limits – that is, the use of subsidies to create a large new low-carbon industrial sector. The centerpiece is the attempt to shift the gigantic U.S. automotive industry off gasoline and onto electricity. This is a monumental effort, involving $182 billion in annual auto and parts output, $23 billion in yearly auto-sector research and development,[29] 1.1 million workers making parts and vehicles, and 2.4 million workers in dealerships and repair shops. A project on this scale, with this level of disruption to internal combustion 'path dependence', probably needs government-led financial investment. The launch of the space industry might be a reasonable analogy: without government-funded shuttles, launch rockets, and military contracts, today's large and dazzlingly innovative commercial space sector with its thousands of satellites and dozens of monthly launches likely wouldn't exist.

With the U.S. a year into this project, China got to mass-market EV production first. Its apparent ability to produce high-quality $15,000 vehicles appealing to working-family budgets is something the U.S. needs to match. The Biden administration's 100% tariff on Chinese-made EVs, then, is a reasonable step meant to ensure that American mass-market EV production doesn't fail before it has a chance to start. A tariff has obvious drawbacks — with higher prices, U.S. EV adoption will be slower and U.S. carbon emissions reduction setback — and isn't a permanent solution. It also has a non-obvious drawback: to lead in this industry, the U.S. needs to export EVs to the 95-million vehicle world market, not just an artificially high-priced American market maxing out at 17 million vehicles. If BYD or other Chinese firms can really make an excellent $12,000 electric car — however they got there — American firms need to match them in a reasonable time. A tariff imposed for eight to ten years might help bridge the gap between today's ideas and a strong U.S. mass-market EV industry in 2030. If that gives U.S. automakers the time to develop the battery and mineral supply chains, the specialized labor, and information technologies they need, the Biden administration will have made the right choice, and its Harris-era successors should stick with it.

4. Workers Fear Job Loss and Deserve Help When It Happens: And what about security? The low unemployment rates of the past three years have shifted worker concern, at least in aggregate, from job loss to living costs. Nonetheless, it is still true that hourly-wage workers face higher risks when they lose jobs — they are less likely to have health insurance, their savings are lower, it's often harder for them to relocate — and deserve help managing them. And though trade-related job loss is (in most studies) small relative to job loss from domestic competition or recessions, at least in the past import-caused job loss was relatively more likely for older and less-educated workers less able to rebound from job loss, and so more costly to future earnings, self-respect, and mental health. The high sense of injury and social stress following the "China shock" of the 2000s — even though overall employment has grown steadily since 2010 — reflects this fact.

For sixty years, until its expiration at the end of 2021, the Trade Adjustment Assistance program provided a battery of supports — well above those available to workers displaced by recessions or domestic competition — to workers displaced by imports or (more recently) shifts of production abroad. These range from long-term training opportunities and job placement support to relocation assistance and temporary wage subsidies for older workers taking new jobs at lower pay.[30]

TAA's loss is sad, and renewing it is logically part of a pro-worker trade policy. But TAA is also a policy designed for a relatively small group of industrial-sector workers, and — remembering that most hourly-wage workers are non-industrial — there's something both unfair and inadequate about a policy that offers high benefits to (say) displaced seamstresses and auto-plant workers, and low benefits for displaced waitresses and auto-shop repair techs a few blocks away. And despite the intense focus on manufacturing job loss, there are always many more non-industrial than factory layoffs. In 2023, the 19.8 million layoffs (a low total in historical context), included 1.5 million manufacturing workers, just 7.6% of the total. Even in 2009, the worst year on record for factory workers, manufacturing accounted for 2.9 million of 27.4 million layoffs, or 10.6%.[31] It's not clear why service workers deserve less support than their industrial-sector neighbors.

So why not think broadly about adjustment and career development for all hourly-wage America, not only its industrial fifth? What if, by 2028, all dislocated workers (or, more properly, those laid off for no fault of their own) — and the long-term unemployed, and young people looking to move in a second job, and workers with mediocre jobs imagining something better – can design a tailored set of supports that fit their needs, from training, career services, apprenticeships, to temporary wage subsidies for older workers? For such a program the Labor Department would need more money, but also flexibility to use it for training as well as career services; to support apprenticeship[32] and Pell for workforce[33] programs; and make sure workers taking training or career services get the other support programs (say, TANF and SNAP support for necessities, housing, transportation grants) they need to support themselves and their families through a year of training. Even beyond the world of job loss and recovery, what about a Living Wage Tax Credit, which would give some extra spending power to working families through a more generous EITC program for people in critical hourly-wage health and social assistance work caring for children and older Americans?

CONCLUSION

Returning finally to Orwell and to the fateful choice a few weeks ahead.

Politics and the English Language's appeal for simple phrases and short words isn't really about syntax, vocabulary, and style. It is a call for clarity and logical thought: a writer on policy should start with goals, define the steps needed to reach them, and build an argument from these two essentials. This done, blurry language, unfinished thoughts, and incomplete ideas naturally fall away, replaced by clear images, coherent logic, simple points — and a public that understands your program. That's the Harris campaign's opportunity in these next few weeks.

The Trump campaign's attempt to reanimate isolationism — its resurrection of "America First" political isolationism, its economic Hooverism, its disdain for America's allies and international leadership — is full of risk. Risk of repeating the awful mistakes of the 1930s, risk of new economic shocks and volatility, risk of conflict as America's friends are demoralized and aggressive dictators grow bolder. Once made, such a choice takes decades to undo.

Vice President Harris is right to reject it. She is right to insist on the centrality of alliances among democracies, right to highlight the costs higher tariffs will impose on families, and right to use her early speeches and September debate victory to explain the risks Trumpism poses on both counts. She can cap this, and underline her own optimism and strength, with a clear and appealing alternative that lowers costs, helps workers find new and better job opportunities, and strengthens security in both personal and national senses. That is the alternative hourly-wage Americans and the nation as a whole need, as their large and fateful choice approaches.

ABOUT THE AUTHOR

Edward Gresser is Vice President and Director for Trade and Global Markets of the Progressive Policy Institute. Before joining PPI in October 2021, he served as Assistant U.S. Trade Representative for Trade Policy and Economics, and concurrently as Chair of the U.S. government's interagency Trade Policy Staff Committee.

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PROGRESSIVE POLICY INSTITUTE
1919 M Street NW,
Suite 300,
Washington, DC 20036

Tel 202.525.3926
Fax 202.525.3941

info@ppionline.org
progressivepolicy.org