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Opportune moment

The time is right for the next president to pursue an opportunity agenda

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TO: The President-Elect

FROM: Bill Galston

SUBJ: A Legislative Program for Your First Year

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Introduction: The case for an opportunity agenda

The purpose of this memorandum is to persuade you to put an opportunity agenda at the center of the legislative program for your first year in office.

There are many reasons why you should do this. To begin, equal opportunity is America's promise. From the very beginning of our national existence, we have told ourselves and the world that here, unlike so many other countries, where you begin does not determine where you end up. Your religion doesn't matter. Nor does your race or ethnicity or parentage. It is your talent and character that will shape your destiny.

We have never entirely measured up to our own standards, of course. But over time we've gotten closer, both by tearing down barriers to the promise and by doing what was necessary to help everyone participate in it. We need to keep on moving down this road. Not doing so would be to stop short of fulfilling the promise we've made not to some, but to all.

This is the moral argument for the opportunity agenda. But there is a political argument as well. One of the clearest messages from the recently concluded election is that the American dream is in peril. Too many Americans have come to doubt that their talent and character can yield a rising standard of living, no matter how hard they work. And worse, they have lost confidence in a better future for their children. Majorities now believe that their children's lives will be worse, not better, than their own. This is a dagger aimed at the heart of the American dream.

There is also an economic argument. When opportunity is unequal, many Americans are prevented from putting their talents to their best use, reducing productivity and economic output below the levels they would otherwise reach. When the U.S. labor force was growing rapidly, we could achieve high economic growth despite the drag of unequal opportunity. But in coming decades, our labor force will be expanding at only one-third the rate we experienced in the closing decades of the 20th century. The price of preventing individuals from making their best contribution—not to mention excluding them from the labor force altogether—is rising steadily. Each individual will matter more than ever before.

And finally, there is an empirical argument. For some decades we have known that economic resources are distributed less equally in the United States than in most other advanced democracies. Counterbalancing this, we believed, was a higher degree of social mobility in the United States. Europe, we believed, was static and class-bound, while we were open and fluid. To become an American was to choose this package of inequality and mobility.

As recent research has made clear, however, our belief is mistaken. If you are born in the United States to parents of low or modest means, your odds of becoming well-off are lower than in many other advanced democracies. The proportion of children born on the bottom rung of the ladder who rise to the top as adults in the U.S. is 7.5 percent—lower than in the U.K. (9 percent), Denmark (11.7), and Canada (13.5).

Behind these aggregate statistics are even more disturbing facts about differences among groups of Americans. African Americans born to families in the lowest fifth of the national income distribution have a 51 percent chance of ending up there, compared to a meager 3 percent chance of rising to the top. Of white Americans born at the bottom, by contrast, only 23 percent remain there as adults, while fully 16 percent rise to the top. Put differently: only 22 percent of African Americans born in the bottom fifth rise to the middle class or better as adults, compared to 58 percent of whites. When it comes to equal opportunity, we still have a way to go.

We have learned through painful experience that equal opportunity is not the product of an invisible hand. We need not only laws that establish and safeguard formal equality of opportunity but also policies that promote substantive equality of opportunity. Low-income families are less able to provide high-quality child care and education for their sons and daughters, for example, and are less likely to belong to networks that link young adults to jobs. If equal opportunity is to be more than a hollow promise, then government must act to level the playing field—not to produce equal outcomes, but to give all our children a fair chance to succeed.

Why opportunity is unequal: pieces of the puzzle

Understanding the multiple dimensions of unequal opportunity helps specify the building blocks of an opportunity agenda. The list includes the following:

- Low-income families typically find it harder to provide the kind of nurturance that infants and toddlers need to thrive. On average, schools available to lower-income children are less likely to offer the quality of education and training these students need to succeed. This helps explain why the level of adult skills in the United States is well below the OECD average.

- During the past three recoveries from economic downturns, economic growth has been concentrated in fewer and fewer locations, mainly metropolitan areas with high levels of technology and professional services, while smaller towns and rural areas have been left behind. While we are less aware of rural than urban disadvantage, it is becoming more prominent in the overall phenomenon of unequal opportunity.

- Research has documented a decadeslong decline in U.S. geographical mobility. Low-income adults in areas with poor job prospects are more likely to remain there than they were three decades ago. Some are stuck in houses they can't sell. Many lack the means to leave for other jurisdictions. Most have lived their lives within the confines of a single neighborhood and lack the connections and confidence to move. Within cities, decades of underinvestment in metropolitan transportation have made it difficult for low-income people to get from their homes to work and back again.

- The U.S. prison population per capita is five times the OECD average. A record of incarceration bars many young adults, mostly male and minority, from access to employment other than the most menial and episodic jobs.

- Because the United States does less than many other advanced democracies to help women balance work and family responsibilities, our female labor force participation rate peaked in the late 1990s (60 percent in 1999) and has been declining ever since. It now stands at 57 percent.

- Employment discrimination persists, albeit at lower levels than a generation ago. Studies have shown, for example, that employers are less likely to interview job candidates from racial and ethnic minorities than white candidates with identical qualifications.

- Licensing requirements imposed by states make it more difficult to work in occupations such as beauty salons that traditionally offer paths to upward mobility for individuals without high levels of formal job skills. Relatedly, increasing regulatory burdens in tandem with decreased access to capital have made it harder for entrepreneurs to start small businesses, another traditional route of social mobility. Over the past decade, in fact, the number of small businesses opening their doors has fallen below the number going out of business, a period of entrepreneurial decline that may be without precedent in our history.

The legislative response: an opportunity agenda

These obstacles to full opportunity for all Americans require a legislative response, in four broad categories.

We should do more to ensure adequate education and training for all. For children ages 0 to 3 from disadvantaged families, this means access to programs, such as regular home visits from trained personnel, that improve parents' ability to provide the nurturance that infants and toddlers need. Starting at age 3, children should have the opportunity—backed by means-tested funding—to attend prekindergarten programs until they enter public schools.

Three decades of K-12 education reform have overwhelmed teachers and school administrators, with modest results. Another wave of top-down reform would not be productive. On the other hand, we know that failing to complete high school has become an economic death sentence. Efforts to increase high school graduation rates have made progress, and we need to double down with a crash program to raise them farther and faster. If other advanced economies have achieved near-universal high school completion, we can too. And we should bolster 21st-century skills training in high schools and community colleges in partnership with private sector employers.

We should reduce barriers to employment. Where discrimination in hiring still exists, we should use the federal government's powers of investigation and enforcement to fight it. We should work in partnership with the states to reduce occupational licensing and other regulatory obstacles to entering the workforce. Paid parental leave would ease the conflict between employment and care of newborns that induces many parents—especially women—to drop out of the paid workforce. We should help unemployed workers trapped in communities with few job prospects move to opportunity elsewhere. And working with the states, the federal government should reduce employers' disincentives to hire ex-felons.

We should make work work for more Americans. Expanding the Earned Income Tax Credit (EITC) to cover more low-income employees would encourage individuals at the margins of the workforce to enter it and would reduce their dependence on other means-tested programs. Our outdated system of unemployment insurance should be redesigned to help workers make the transition from declining to expanding sectors of the economy. We should institute a contributory program of wage insurance to cushion the financial fall of displaced workers whose new jobs pay substantially less than the jobs they lost. And we should encourage employers to respond to declining demand by sharing work among their employees rather than dismissing a large percentage of them outright.

We should expand opportunity by boosting job creation. One way to do this is to attack the problems—such as access to capital, burdensome regulations, and the cost of tax compliance—that have reduced small business formation, a prime source of new jobs, over the past decade. At the same time, we should overcome the fiscal, regulatory, and political forces that have impeded adequate investment in infrastructure for more than three decades. In the here and now, increased investment means more jobs that pay well and cannot be exported. And over time, it will boost economic efficiency and productivity, necessary preconditions for sustainable wage growth.

Where should you begin? A first-year legislative package

The full opportunity agenda contains a vast array of proposals—too many for the Congress to address during its first year, or even its full two-year term. Bursts of first-year legislative output (1933 and 1965, for example) are the exception, not the model for incoming presidents. Many past administrations, such as the Carter administration in 1977, have faltered when they have tried to do too much, too fast.

While every new president wants to get off to a strong start, this will be especially important in 2017. Public confidence in the federal government's ability to act on matters of public significance is near a historical low. To break the cycle, you must score some early successes. It will be much better to underpromise and overperform than the reverse, to which the American people have become all too accustomed.

Against this backdrop, you should lead with the parts of the opportunity agenda that are most likely to be enacted quickly. This means choosing items that enjoy substantial bipartisan support, will not get bogged down in multiple overlapping congressional committees, and do not plunge your administration into the complexities of intergovernmental relations in our federal system.

These criteria dictate postponing portions of the opportunity agenda to a second phase of legislative activity. For example, states are principally responsible for occupational licensing, and nudging them to expand access into overregulated professions will not be easy. Similarly, nearly 90 percent of prisoners are incarcerated in state rather than federal correctional institutions, so the states will have a significant role in easing ex-felons' reentry into the workforce.

Other portions of the opportunity agenda meet the criteria for inclusion in your first-year legislative package. Take the following, for example:

- Numerous surveys show overwhelming support across party lines for paid parental leave, an idea whose time has clearly come.

- Employers are seeking, but often not finding, workers with the skills a 21st-century economy requires. An agreement across party lines to boost investment for job training in community colleges is within reach, especially if there is a formal mechanism for coordinating the development of new courses and programs with employers' needs.

- The EITC has long enjoyed bipartisan support, and leaders in both parties are open to expanding it to cover currently excluded portions of the workforce, such as single male workers.

- Both parties are concerned about the declining pace of small business formation. Proposals to simplify the challenge of complying with the dizzying array of regulations small businesses face and to increase their access to capital would be well received.

- As geographical mobility has decreased in recent decades, too few workers are moving to new opportunities across state lines. Policy experts have recommended assisting workers to leave communities with few job openings to take advantage of better employment prospects elsewhere, and the new Congress seems likely to agree.

- The Great Recession revealed the obsolete nature of the unemployment insurance system created in response to the Great Depression more than 80 years ago. The current model—income support for workers experiencing temporary unemployment in cyclical downturns—does not reflect today's workplace. Both parties want to modernize the system and reorient it toward retraining workers displaced by structural changes in the economy.

- During the recent presidential campaign, an unexpected area of agreement emerged between you and your opponent: to expand opportunity, we need to end the chronic underfunding of our infrastructure. The states can do more, and many are beginning to, but they find it difficult to agree on projects that cross state lines. We need to find innovative ways of mobilizing investment—including private capital—for this purpose. A well-crafted proposal to this effect would help break the congressional logjam in this area.

Conclusion: a cautionary tale

Throughout his first presidential campaign in 1992, Bill Clinton called for "ending welfare as we know it" by shifting the program's basic thrust from providing open-ended income support to facilitating long-term recipients' entrance into the workforce. There was every reason to believe that it would be the centerpiece of his first-year domestic policy agenda.

But at the last minute, funding for welfare reform was removed from the first budget he submitted to Congress less than a month after taking office, a decision that may have delayed the passage of reform legislation by more than two years.

The moral of the story: whatever you decide your 2017 legislative agenda should be, make sure your economic and domestic policy teams collaborate to produce a budget that reflects your policy priorities. Congress is unlikely to adopt your budget submission unchanged, of course, but members will be quick to seize on the signals it sends. If you do not propose funding for your proposals, they are likely to conclude that you will not fight very hard for them. And if you won't, why should they?

In our system, passing legislation is always difficult, even for new presidents who enter office with a public mandate to act. To get your administration off to a strong start, you will need to establish clear legislative priorities—and then back them with your budget and legislative relations staff. While coordination among policy, resources, and advocacy is no guarantee of success, lack of coordination will ensure failure, disappointing your supporters and weakening your hand in subsequent dealings with Congress.

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This essay is part of First Year 2017, a project of the nonpartisan Miller Center at the University of Virginia focusing on the key issues the next president must confront, viewed through the clarifying lens of history and amplified with actionable advice from leading scholars, former administration officials, and policy experts.