Overview

A Pro-Growth, Progressive Economic Agenda

GENE SPERLING

Our new president's largest challenge: ensure we grow together as a nation so that we do not grow apart as a people. A pro-growth, progressive economic agenda must focus on policies that both raise the economic tide and lift all boats—boosting productivity and our gross national product while fostering the shared prosperity that defines our nation's values. These progressive values require growth that makes room for those seeking to prosper in America without forcing others to share a smaller slice of the pie. These values support a new social compact that ensures a basic level of dignity in economic life for those who work and take responsibility for their lives. And they offer every worker real opportunity for upward mobility while ensuring that the accident of birth does not severely stack the deck against any child. To this end, the new administration and Congress should enact tax reforms and investments focused on new jobs, especially in alternative energy on our shores, a new Universal 401(k) pension plan to promote savings for working families, a new strategy to promote early intervention in middle school to promote college enrollment and completion for disadvantaged students, a universal health care program, and a broad range of policies designed to both boost our national competitiveness and economic security.

The new president will most likely be forced to deal with the fallout of the financial meltdown and the need to jumpstart what could be an economy in recession in his first days in office. Yet over the full course of the next eight years the larger issue is more likely to be how we are growing rather than whether we are growing. Will we have an economy that both raises the tide and lifts all boats? Will we grow together with shared prosperity, or grow apart because of rising inequality and economic insecurity?

Thirty-five years ago, the fundamental economic challenge was the decline in productivity growth, which outside of the farm sector fell to a disappointing

1.4 percent from 1974 to 1995 after growing by 2.8 percent from 1948 to 1973.[1] Starting in 1996, however, strong productivity growth resurfaced, bolstered by the spread of information technology, more productive workers, strong public policies, and the efficiencies of a more integrated global economy. While many economic commentators like to look at inequality or wage growth as a 30-year trend, there is much the 44th president can learn from looking at this most recent period from 1995 to 2007—which I have called the "new productivity decade."

Far from being part of an unbroken 30-year trend, the history of the new productivity decade is in many ways a tale of two cities.[2] In the first half, productivity grew 13 percent overall from 1995 to 2000, and the benefits were broadly spread among working families. Median working household income kept up, growing 11 percent during this period. From 1993 to 2000, every income group experienced real family income growth of at least 16 percent, with the bottom 20 percent doing the best at nearly 24 percent growth.[3] Overall, working household income increased by $7,748 from 1993 to 2000.

In contrast, in the second half of the new productivity decade there was a complete reversal of fortune. While productivity growth kept rising, the majority of the middle class experienced stagnant or falling real income growth. From 2000 to 2007, productivity expanded at an average rate of 2.5 percent per year, yet the typical working-age household saw its income fall by $2,010. Even average incomes for college-educated men, which rose $12,224 from 1993 to 2000, declined by $3,687 between 2001 and 2007.

Most troubling for many workers was the sense that rising productivity and historic corporate profits—averaging 13 percent as a share of gross national income in recent years—seemed predicated on disappointing wages. According to Goldman Sachs Group, Inc., more than 40 percent of record corporate profit growth over the past five years was due to the historically low share of national income going to labor.[4] The widespread deployment of information technology may have helped increase U.S. wages in the 1990s, but in this decade the interaction between IT and globalization seemed to put downward pressure on many service job categories, allowing companies to lower labor costs by searching out the cheapest option in a global labor force, or threatening to do so to keep labor costs down at home.

The two halves of the new productivity decade demonstrate that the forces of technology and globalization can lead to either wage stress or shared prosperity for typical American families—depending on both economic trends and our public policies. This presents a fundamental challenge for a new president seeking a pro-growth and progressive economic policy. Some policies that promote economic efficiency and productivity may put downward pressure on middle-class wages, yet efforts to simply halt dynamic competition and technological change in the interest of stability, security, and protecting existing jobs can inhibit long-term growth and innovation. That is why the 44th president must work with both sides of the political spectrum to design policies that boost shared prosperity by strengthening and growing the middle class, not policies that focus just on growth or on equity alone.

Conservatives often speak of gross domestic product growth as if it were the whole ball game, with the question of whether most people benefit from it defined as a quaint "distributional" issue. Yet this misses the degree to which the American aspiration for strong growth always included a focus on the degree to which that growth was widely shared. Benjamin Franklin's critique of England 250 years ago was not of its economic growth record but of a society in which economic outcomes were overly determined by accident of birth. In modern day terms, he asked colonial Americans whether they wanted to create a new nation that would replace a dumbbell society—an upper class and a lower class and a thin middle class—with a bell curve economy that featured a majority middle class and only a few in poverty or wealthy, in which anyone could rise with inspiration and perspiration.

Explaining the difference between Europe and America, Franklin wrote: "[P]ersons of moderate Fortunes and Capitals, who, having a Number of Children to provide for, are desirous of bringing them up to Industry, and to secure Estates for their Posterity, have Opportunities of doing it in America, which Europe does not afford."[5] Progressives today must likewise shape globalization and technological change to ensure shared prosperity rather than downplay the intense global and innovative pressures America faces—pressures we must respond to in order to remain on the economic cutting edge. Strong and dynamic growth—even with its dislocation—is critical to ensuring the United States always makes room for anyone from anywhere who is willing to work hard and play by the rules without having to force existing groups to settle for less. In short, it is easier to have a melting pot if you have a growing pot.

Recommendations

The progressive growth agenda of the new president must from day one promote four core progressive values—shared prosperity, economic dignity, real opportunity for upward mobility, and the chance to succeed regardless of the accident of birth.[6] These values must be translated into pragmatic policies.

First and foremost, the 44th president must address whether the forces that promote productivity growth translate into good jobs, strong wages, and new opportunities for working families in the United States. Simply put, we cannot assume that what promotes corporate efficiency for U.S. multinationals necessarily results in shared economic growth for working families, or that what is good for Intel is good for U.S. workers. Part of the reason for updating this famous quip by former General Motors Corp. chief executive Charlie Wilson is that it was Intel Corp. founder Andy Grove who explicitly articulated the tension between what was best for his company and what was best for his country. "Those of us in business have two obligations in my opinion," he said in 2003. "The one that's un-debatable is we have a fiduciary responsibility to run our business for the shareholders who put us in our place, gave us the decision making power." But Grove also said that he "feels a responsibility for doing the right thing for the country," and that "these two are pulling us in different directions."[7]

Indeed, the second half of the new productivity decade under President George W. Bush confirms at a macroeconomic level Grove's instinct concerning Intel. Despite previous economic studies indicating that economic expansion overseas generally creates growth and jobs at home, it is not necessarily so. For the new president this means he must carefully analyze where the intersection is between what is best for U.S. multinationals and U.S. workers' standards of living. While incentives for alternative energy innovation in the United States and incentives for moving jobs overseas may both help the corporate bottom line, the former clearly intersects with job creation in the United States while the latter may have the opposite effect. When developing shared-prosperity policies we must first ask "who is us?" as former Secretary of Labor Robert Reich did in his prescient book, *The Work of Nations*.

In performing this analysis, policymakers must be willing to take a broad look at our economic policies, including trade, regulatory issues, and job creation strategies—not just cost-sharing and job-adjustment policies, however important. Indeed, much of the hostility among labor unions toward ideas such as wage insurance may be because of the suspicion these policies reflect an uncritical attitude toward the structural challenges facing the U.S. economy. While stronger adjustment policies are needed for those losing jobs in the United States, policymakers cannot limit a progressive policy approach only to re-employment strategies for what is too often described in patronizing terms as compensating losers.

Yet, a willingness to look broadly at how larger structural, technological, and global issues impact job and wage opportunities in the United States is not an excuse to resort to inappropriate "picking winners" policies or other public measures that would dampen the competitive and innovative pressures that are essential to the United States staying on the cutting edge of the global economy. The new president must be creative, finding ways to make changing market conditions work for more Americans while ensuring our economy faces competitive pressures to innovate. Fortunately, the 44th president will be armed with a number of shared-prosperity policies to implement upon taking office.

Job-Creating Tax Reform

In an open global economy, U.S. employers are essentially free to locate jobs, production, and services where they see fit. But that does not mean the federal government should be neutral about where they want jobs to be located. Currently, our tax laws allow a U.S. company located in tax havens or low-tax jurisdictions abroad to defer paying U.S. taxes indefinitely on their active overseas income. This practice gives U.S. companies that expand by building a new factory abroad to make products for sale overseas a competitive advantage over a rival company who chooses to expand a similar factory to make export products in the United States. The rationale for this tax advantage is that if U.S. companies have to pay higher U.S. income taxes when they are locating in tax havens, they will be less competitive with foreign rivals, which only have to pay the lower rate in the tax haven.

At times this rationale should be applied. If a U.S. hotel chain wants to locate in Hong Kong, for example, it makes little sense to force them to immediately pay higher U.S. tax rates where there is obviously no way to service those hotel needs from the United States. But when a U.S. company wishes to move a U.S. factory to China and eliminate U.S. jobs to make products to export to other nations, why should we give them lower taxes than other U.S. competitors by letting them defer their foreign income from U.S. taxation?

There is also no reason to make it so easy for hedge funds and U.S. citizens to park their wealth in tax havens at the expense of ordinary working families who pay their full taxes. Legislation proposed by Sens. Carl Levin (D-MI), Barack Obama (D-IL), and Norm Coleman (R-MN) in February 2007 smartly allows the IRS to shift the burden to those U.S. taxpayers who have set up accounts or companies that formed in well-known tax havens like the Cayman Islands to show that they are not engaging in tax evasion. The bill would require the companies and U.S. citizens to prove they have legitimate business abroad through opening their offshore books to auditors, or else the government would assume that they are fronts for income shifting or other tax avoidance schemes.

Such measures could be part of a revenue-neutral, pro-job tax reform by using the increased revenues from these reforms to increase the amount of positive tax incentives for job creation in the United States. This could be done by expanding the research-and-development tax credit and basic research tax credit, providing incentives for new small business job creation in the United States, especially green jobs, and by expanding incentives for locating jobs in harder-hit rural and urban areas in the United States.

We will never keep all U.S. jobs from being outsourced abroad or offshored, or stop all U.S. companies from establishing offshore production platforms in lower-wage nations. But that does not mean we should not even seek to enable our most underserved rural and urban areas with up to 40 percent lower labor costs than in larger cities from competing for jobs currently being outsourced to foreign nations. High-tech and call-center jobs could be well suited for rural sourcing and could be a significant source of growth for regional economies. The new president should build on policies like the New Markets Tax Credit that provide tax cuts for those investing in financial institutions serving underserved and low-income areas, and the wage and new job credits utilized in Empowerment Zones to encourage location of jobs in the untapped markets in our own nation.

Green Jobs

Rather than seeking to outguess the market about which technologies will provide the best results, the new president should adopt technology-neutral policies that require utilities to generate a respectable percentage of their power from renewable sources while providing incentives for major public and private investment in basic alternative energy technologies and research and development. Such policies will have enormous positive implications for our environment and national security while also spurring economic growth. There will be hundreds of billions of dollars worth of alternative energy investments made around the world over the next two decades, creating millions of new jobs. There is no reason the United States should not take all steps possible to ensure that a substantial number of those jobs are created here in this country, just as other nations are doing, and that our investment in research and technology development results in new industries and new opportunities for U.S. workers.

A policy framework that supports new green businesses means the new administration could help spur jobs in largely new professions that help workers in construction and advanced manufacturing as well as new innovators, researchers, and entrepreneurs. A variety of new jobs would be created, from solar panel installers and electricians who would perform energy efficiency retrofits or swap out old and inefficient lighting, to advanced manufacturing workers who will do the metal fabrication to build wind turbines and towers or produce advanced batteries for a new generation of cars.

A strong R&D and venture capital component will also work to direct the initiative and energies of our brightest research minds and budding entrepreneurs aspiring to be the next Sergey Brin and Larry Page toward alternative energy. The investments required to forge a low-carbon economy will improve the productivity of the workforce, spur new innovation and industry, and restore the infrastructure that is the backbone of our economy.

Research and Innovation Jobs

At a time when new competition from China and India should be leading to a major national effort to compete for research jobs and create more university-centered innovation clusters to keep jobs and investment in the United States, the Bush administration sat on its hands. Funding for the National Institutes of Health, for example, was frozen for five years, creating an enormous and disillusioning deterrent to scores of young researchers.[8] Thomas Kalil's overview chapter on science and innovation details investment policies the new president and his administration could pursue.

The Bush administration also failed to invest in the so-called STEM educational disciplines—science, technology, engineering, and math—at the primary, secondary, and postsecondary levels, leaving our nation with a human-resource policy that does not fill our high-level science, math, and research needs. The new administration needs to expand the education and opportunities of our own people, especially for minorities and young women who are currently underrepresented in these areas. Shirley Ann Jackson, president of the Rensselaer Polytechnic Institute, rightly calls this the "quiet crisis."[9] Cynthia Brown's education overview provides a vision of a comprehensive educational reform program required to teach all of our children and young adults well.

A Social Compact for Economic Dignity

Our nation's social compact has never been spelled out in a constitutional amendment or even a commercial contract. Yet this implicit contract is built around a few core principles: A career of hard work should command respect at the workplace, provide health care for your family and a secure retirement, and give you a chance to send your children to college so that they might lead a better life. Today, however, playing by what Americans thought were the rules too often means that a 30-year-old computer programmer is suddenly uncompetitive in the global economy, or a couple just entering retirement after working hard for four decades has to move into their child's cramped basement due to rising health costs.

The 44th president must take a number of steps to restore the American social compact, beginning with policies that de-link health care security, retirement savings opportunities, and higher education affordability from job retention and job loss. The new administration cannot guarantee that any particular industry, company, or job will be stable, but it could enact policies that provide American workers with incentives to save for retirement, with affordable and portable health care, with the ability to send their children to college, and with the capacity to survive job losses and the career changes characteristic of today's economy. These steps would help reduce poverty, too.

These sets of policies should not seek to de-link pension savings plans and health care from employment. Indeed, we know that people are more likely to save if they can elect to make automatic deductions from their paychecks, and that Americans are attached to receiving health care assistance through their jobs. But a policy that guarantees each American access to affordable health care would ensure that tens of millions of Americans are not one job loss or one illness away from financial devastation.

Similarly, a Universal 401(k) pension savings plan would provide major federal incentives for savings, even when a worker is voluntarily or involuntarily separated from the job market or simply working for himself or herself. And a more robust policy for both refundable tax credits for higher education and lifelong learning can enable workers to use higher education to improve their economic situations and allow them to give more opportunities to their children. A minimum wage that keeps up with inflation, combined with an Earned Income Tax Credit that is expanded for single workers and those with three or more children, will also help to continue to reward work and provide basic economic dignity for America's most hard-pressed working families.

In this way, the new administration can ensure a basic floor of economic dignity for those who have worked hard throughout their lives. Through affordable health care, retirement savings incentives and tax policies that reward students and workers who choose to upgrade their skills to compete in the global economy, the 44th president can rebuild several key components of our nation's historic social compact, even in a dynamic global economy.

Job Training and Adjustment Assistance

The new president must develop a full jobs and economic dignity agenda to make clear to workers that his agenda is more than just a "band aid" or "burial insurance" when they suffer job losses due to globalization. He must do more to create worker adjustment policies that provide both options for workers to get job training and other assistance and for localities to seek economic diversification before predictable mass layoffs occur. Bringing a community's stakeholders together could head off economic problems several years down the road before workers feel the sting of a pink slip.

These new job creation and pre-emptive policies for workers and hard-hit communities would make clear that a strong adjustment and re-employment agenda reflects not a focus on "burial insurance," but a means to ensure economic dignity for workers who, despite all reasonable efforts, find themselves between jobs. As we do reform worker adjustment assistance, we must make such help universal regardless of how a worker lost their job through no fault of their own.

The full focus of our policies should be on helping workers find new jobs, not on finding out how they lost their last job. There is no reason why the government should care more about a person who lost their job due to trade than one who lost it due to outsourcing or technological change. Sorting out the causal differences will only become harder over time.

If we are serious about adjustment assistance then it has to be simple, have universal eligibility, and be user friendly. If Costco can provide one-stop shopping for life's day-by-day necessities, then the government should be able to have a single toll-free number and one-stop centers that handle all re-employment issues, from job search, to training, to health, mortgage, and unemployment insurance. Such a one-stop shop could move us toward the consumer-oriented government that former Vice President Al Gore has championed.

Dignity and Rights of Workers

Working families have also lost their ability to stand up for their labor rights thanks to a prolonged weak labor market and the more-than-decade-long attack on the right of workers to organize. The growing hostility toward organized labor between 1994 and 2006 severely undercut the right of workers to organize. Labor journalist Steven Greenhouse notes in his new book, *The Big Squeeze*, the meteoric rise in the number of union-busting consultants in the last half-century. And Cornell University professor Kate Bronfenbrenner found that 75 percent of companies facing organizing drives hired anti-union consultants, some of whom have admitted to using shady tactics such as planting contraband in the lockers of pro-union workers with drug records or other personal attacks.[10] According to top union leader Richard Trumka, over 20,000 workers are illegally fired every year for exercising their most fundamental rights—freedom of opinion, expression, and association.

Furthermore, regulations promulgated by the Bush administration reduced those eligible for overtime and workplace protections. In 2003, the Department of Labor started a rulemaking process that, according to the Economic Policy Institute, will cause 8 million workers to lose access to overtime pay, giving employers free reign to require the exempt employees to work virtually any schedule for any number of hours, without providing additional compensation. The 500-page rule created new exemptions barring overtime for huge swaths of workers from pre-school teachers to sous chefs and funeral directors, while classifying others, such as fast-food assistant managers (who spend 90 percent of their time cooking) as full-time supervisors, making them ineligible for overtime.[11]

The Bush administration went even further, using its administrative powers to systematically attack organized labor and cut enforcement of safety standards and safety enforcement over the last eight years. Scott Lilly at the Center for American Progress noted that Occupational Safety and Health Office enforcement spending is down 8 percent from 2001 levels in real terms, and wage and child labor enforcement has dropped by 13 percent over that same period.[12] The tragic mine disasters of this decade came at a time when the Bush administration's Department of Labor was cutting enforcement. From 2002 to 2006 the Mine Safety Hazard Administration cut 100 safety officers (18 percent of the total), even though mining went up 9 percent during that period. Since then, congressional pressure brought over 250 more inspectors on board.[13]

Similarly, the number of wage-and-hour investigators at DOL dropped to 732 in 2007 from 945 in 2001, according to the Government Accountability Office.[14] This decline came during a time that labor journalist Greenhouse found shocking cases of immigrant workers being paid less than $3.35 an hour at a discount store in Brooklyn, others being barred from sitting down or even taking calls from a sick child, and grocery delivery men being classified as contractors, allowing their employers to pay effective wages of $2.43 an hour.

A new emphasis on worker safety, family leave and family-friendly policies, and working with labor when retrenchment is necessary to save jobs are the starting points. A first essential step would be the president's signature on the Employee Free Choice Act, which would level the playing field between unions and companies when workers decide to organize. Other proposed reforms related to the status of workers and their families are detailed in the economic mobility overview chapter by Angela Glover Blackwell and Peter Edelman, the Department of Labor chapter by Ed Montgomery.

Likewise, labor rights abroad have languished in the absence of leadership in the United States. The new president should prioritize the "decent work" agenda proposed by the International Labor Organization and supported by the Center for American Progress. Such core labor standards are crucial to ensure that U.S. workers and their counterparts abroad are not facing a race to the bottom in which unfair and shameful labor practices—including slave and coercive labor practices, abusive child labor, and violence against labor leaders—are used to achieve lower and more competitive prices. As Thea Lee, policy director and chief international economist at the AFL-CIO, noted, investigations into labor abuses in countries such as China are not aimed at stopping these nations' "right to compete in the global economy on the basis of low wages," but rather at the "incremental cost advantage that comes from the brutal and undemocratic repression of workers' human rights."[15]

Likewise, as seen in the U.S.-Cambodia textile agreement, labor standards should be part of a positive incentive structure that trades carrots such as U.S. market access for enforceable labor standards. There may be few places where the new president could so quickly unify progressives and gain quick legislative success on promoting, as President Bill Clinton used to say, "globalization with a human face" than a strong agenda to invest more resources in fighting abusive sweat shops and child labor and helping emerging economies build better safety nets and processes for enforcing labor rights. This can be done through increased funding for the international work of the Department of Labor and more resources, enforcement teeth, and monitoring capacity for the ILO. This commitment to focus on a decent work agenda should be adopted within the National Economic Council and National Security Council and in the policy considerations of the World Bank and International Monetary Fund. For a further description of policies in this area, see the chapter on the Office of the U.S. Trade Representative by Ira Shapiro and Richard Samans.

Strengthening Opportunities for Upward Mobility

It is not sufficient for progressives to promote merely greater economic security for working Americans. We should never underestimate the strength of Americans' desire for a fair chance to get ahead through their own efforts.[16] The new administration should refocus on policies that create opportunities for Americans to gain more access to and succeed at higher education, and to save so they can create their own wealth and nest egg for retirement or to pass on to their children.

Rising income inequality in our economy today is complemented by rising wealth inequality. Economist Edward Wolff has found that, excluding homes, 92.5 percent of our nation's wealth is held by the top 20 percent of individuals, while only 1.1 percent is held by the bottom 40 percent. The problem is worst for minorities—more than half of African Americans (54 percent) and Hispanics (55 percent) have less than $10,000 in savings and investments, according to the Employee Benefits Research Institute.

U.S. tax policy actually encourages this disparity. Out of the more than $200 billion in tax incentives offered each year for savings, only about 5 percent goes to the bottom 50 percent of Americans. The wealthiest Americans are triple winners, benefiting from pre-tax contributions to 401(k)-type pension savings plans with generous matching incentives, a menu of additional tax-preferred savings vehicles, and (because they are in the top 35 percent bracket) a 35-cent tax incentive on every dollar saved. Lower-income Americans most often have no pension, and if they do save a dollar, they get a mere 10 percent deduction.

This upside-down system is a disgrace from both equity and growth perspectives. Unlike savings incentives for working families, incentives for upper-income families cause a shift of existing savings, not an actual increase in new private savings. To spread wealth creation and savings, we must start by righting our "upside down" system of tax-preferred savings.

Other than the Universal Savings Accounts or USA Accounts program, which President Clinton proposed in 1999 but was never enacted, there have been few major progressive savings initiatives. The recent movement toward automatic savings deductions, in which workers opt out as opposed to opting in to employee-based savings plans, is a crucial reform, but it does not address the upside-down nature of our tax system. A Universal 401(k) savings plan would offer all Americans the opportunity to contribute to a new tax-deferred retirement account. This savings plan would provide middle-class and lower-income workers with matching contributions on initial retirement savings of up to $2,000 per year, deducted from their paychecks, in the form of refundable tax credits deposited directly into their Universal 401(k)s.

This plan would also provide for a refundable "flat savings tax credit" of 30 percent for all savings done by those in the lower- and moderate-income brackets. Other new progressive savings proposals in the policy arena include those by Rep. Rahm Emanuel (D-IL) and Professor Teresa Ghilarducci of Notre Dame. Rep. Emanuel's plan would establish voluntary personal savings accounts and strengthen the tax credit for families to save. Ghilarducci proposes a Guaranteed

Retirement Account system that would eliminate the current income tax and 401(k) tax preferences in favor of a government-subsidized annuity system that would guarantee employees at least a 3 percent real rate of return.

Proposals like the Universal 401(k) promote several critical progressive economic goals, including increasing our national savings rate, reducing wealth inequality, and spreading opportunities for wealth creation and a national culture for savings, while ensuring that on top of a strong guaranteed benefit for Social Security, tens of millions of Americans have a pension that will help ensure a more dignified and secure retirement.

Investing in and Completing a Higher Education

While there is understandable angst at the fact that a higher education no longer provides foolproof protection against downward wage pressures and job displacement from global labor competition, we cannot forget that a higher education is still the best ticket to sustained upward mobility. A higher education has never been less of a sure thing and yet never been more important. And with declining labor growth in the future, the U.S. economy cannot rely as it did in the past on a growing labor force to supply a growing pool of college-educated workers.

We have no choice but to increase the pool of Americans who not only enter college but also complete it. Low completion rates are systemic but are even more prevalent among minority and low-income students. According to the Pew Hispanic Center, white youth beginning at community colleges are nearly twice as likely as comparable Hispanic youth to finish a bachelor's degree, and among the best-prepared white and Latino college students at nonselective colleges and universities, 81 percent of whites complete a bachelor's degree and 57 percent of Latinos do so.[17]

The new administration needs to significantly increase college education financing for the broad middle class, but also to ensure that young African Americans, Hispanics, and Native Americans not only enter college but also complete it. The new president should seek to increase the college tax credit in three ways: by increasing its $1,650 maximum value, by extending it for four years, and by making it refundable. This recommendation has been made in recent presidential campaigns and is also supported by Louis Soares and Chris Mazzeo in the recent CAP report, "College-Ready Students, Student-Ready Colleges."

The new administration should also reform the lifelong learning tax credit by establishing a "Flexible Education Account," which would provide a pool of tax credits for each person per decade so that Americans in the workforce would have an opportunity to get considerable help for concentrated periods of retraining or retooling their skills as opposed to a small tax credit each and every year. While the current lifelong learning tax credit—20 percent of the first $10,000 of annual tuition—never allows anyone to get more than $2,000 of assistance in a given year, a $15,000 per decade Flexible Education Account would allow a worker to use up to $7,500 in each of the two years where he or she needed major training or educational assistance to make a critical job or career transition.

Finally, the new administration should create a College Completion Bonus Fund. This bonus fund should provide assistance to schools that are successful in increasing the *number* of young people that enroll and complete colleges as opposed to the *percentage* of those completing school. This design feature is crucial: if awards are based on the percentage of those completing, it might create an incentive for schools to take less risks on admitting more students from disadvantaged backgrounds. The goal of such a program should be to reward those who are willing to reach out to such young people and fund innovative pre-college and during-college programs to help such young people stay in college and succeed.

Spread Entrepreneurship

Part of our global competitive advantage is our ethic of entrepreneurship and risk taking. Prosperity-spreading opportunities for entrepreneurship are vital to create more jobs in the United States, to create new green technologies, and to ensure more entrepreneurial opportunities among minorities and women. The Center for Women's Business Research found that in 2006 only 29.7 percent of businesses (7.7 million) were majority-owned by women, even as women made up a full 46 percent of the labor force. And the Kauffman Foundation reports that despite making up approximately 13 percent each of the total population, African Americans and Hispanics respectively own only 4 percent and 6 percent of U.S. businesses.

One policy the new administration should consider restoring and expanding is the New Markets Venture Capital program started under President Clinton to ensure greater equity opportunities for entrepreneurs investing in our urban and rural communities. This initiative was designed to help create venture capital for those willing to invest in companies in at-risk communities, helping those companies to raise equity capital and to get the technical and start-up help they need in hiring the right people and creating a viable business plan. Though six NMVC companies were approved in 2003, President Bush subsequently eliminated the program, despite the fact that the existing NMVC companies have made significant investments in their at-risk communities.

Equal Opportunity, Not the Accident of Birth

One uniting principle of our founders was the notion that United States would be a nation without a perpetual elite or underclass. John Adams wrote that "no expense would be thought extravagant" when it came to educating poor children, and Thomas Jefferson supported a constitutional amendment guaranteeing free public education and calling for inheritance laws to "prevent the accumulation and perpetuation of wealth, in select families." We as a nation still cling to the ideal of America as a land where everyone can rise to the best of their abilities, but we are increasingly becoming a country where the accident of birth for the poorest children stacks the odds overwhelmingly against them while the perpetuation of wealth was strengthened by the Bush administration's insistence on gutting the estate tax even for the wealthiest estates.

A progressive administration must address the persistence of youth poverty, which stands at 34 percent for African-American children. A concern for economic mobility should compel a more expansive preschool effort, from birth to 5 years old, in universal pre-K programs. Research compiled by Arthur Rolnick and Rob Grunewald for the Federal Reserve Bank of Minneapolis and Rob Dugger for the Committee on Economic Development shows that the cognitive skills needed to succeed in the global economy are significantly developed during the first years of life, and that the cost of investing in Head Start for a child is returned 14 times over that child's lifetime.[18]

That is why the new administration needs to expand programs like Head Start and Early Head Start and ensure we develop a truly comprehensive education and child care initiative that offers all children from birth to age 5 from modest and low-income families access to quality infant, toddler, and preschool programs. Launching such an effort might cost $20 billion annually, but that is only 50 percent of what it would cost to repeal the estate tax for the wealthiest estates, further making the accident of birth more determinative in American life on both the poor and privileged side.

Reaching for College Early

Education reform cannot be just about small twists in testing metrics and standards based on those tests. Instead, the new president needs to push his new secretary of education to support the kind of in-school reform and afterschool opportunities that instill in students high expectations and a sense of belonging beyond performance on standardized tests. How often have we seen that it is the exceptionally motivational principal or teacher or afterschool theater or chess club that turns a young person's life around? Detailed proposals to bring public and private funding together at the federal, state, and local levels to expand these types of proven educational programs can be found in Michele Jolin's Office of Social Entrepreneurship chapter and Cynthia Brown's education overview chapter.

While high school reform efforts are important, an effective effort to ensure that more disadvantaged youth, including youths from African-American, Hispanic, and Native-American backgrounds, go to college requires early intervention through mentoring, enrichment, and college preparation classes beginning in elementary school and continuing through to college. As one education expert aptly put it, children "begin to drop out of college in grade school."[19]

Early intervention programs such as GEAR UP are the place to start. GEAR UP is an innovative program started in the late 1990s that reaches out to disadvantaged children at young ages and stays engaged with them through high school. Research by Steven Zwerling of the Ford Foundation validates the success of programs such as GEAR UP at increasing the pool of college-ready young people from disadvantaged backgrounds.

The federal government could lead universities and the private sector in greatly expanding GEAR UP and similar programs such as College Summit, Project GRAD, and the Harlem Children's Zone, and begin to create a national ethic of our nation's finest universities helping to increase the pool of well-qualified young people from disadvantaged communities in their own backyards.

Universal Education

No child's life should be determined by the accident of birth. Many Americans believe this bedrock applies to children born anywhere. Seventy-two million young children are out of primary school and another 226 million are out of secondary school worldwide. The leaders of the world are denying these children—particularly the girls who are out of school in higher numbers—a chance to grow, learn, and create healthier families, stronger economies, and more democratic nations.

These progressive growth values are furthered by universal quality education, especially for girls, in poor nations. Passage of the bipartisan Education for All Act of 2007 would go a long way toward positioning the United States as a leader in making that vision a reality by 2016. The act would empower the United States to build off the existing education fast track initiative to help lead a major global education fund, raising annual funding to $3 billion by 2012 to empower poor nations with strong plans to offer universal quality education and ensure special interventions for girls, children with disabilities, those impacted by abusive child labor, or those impacted by HIV/AIDS as well as the tens of millions losing their futures due to conflict or humanitarian emergencies.