GOVERNING PRIORITIES

Advice for America’s President, for 2021 and Beyond

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Introduction

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This book is a guide for governing in an exceptionally complicated moment for America. That moment is defined by not only the difficulties of confronting a global pandemic and its aftermath but also a range of long-standing predicaments that have tended to complicate each other. The thicket of our governing challenges is now so dense that the definition and prioritization of problems has become difficult, and our leaders clearly need some help.

The president of the United States is not the only leader who requires such help. But setting priorities for policymaking at the national level often does fall to the government’s chief executive, and the beginning of a presidential term in any case offers a convenient occasion to focus on the nation’s needs.

And yet, the intense polarization that has characterized our 21st-century politics and the bitterly acrimonious culture war that has increasingly deformed our national life make it difficult to rise to that occasion. When we think about the country’s challenges, we are all tempted to think in partisan terms.

To resist that temptation, even if only a little, we at the American Enterprise Institute have given the authors of this volume a peculiar task. We asked nine of our scholars (though we easily could have called on dozens more) to offer guidance in their broad areas of expertise that the president might find useful in 2021 and beyond. But we intentionally asked them to do this while the presidential election of 2020 whirls in the background, and so before we know who will win it. They therefore have to offer advice not to Donald Trump or Joe Biden but to America’s president. They have to consider not the objectives of a Republican or a Democrat but the needs of the nation.
This book is thus an experiment in shooting straight in crooked times. Its purpose is not to ignore the political culture and partisan atmosphere of this moment in our politics; no serious policy analysis or proposal for reform could ignore those. Rather, the point is precisely to take full account of those but correct for them as far as possible, to try to filter out the clatter and think about those problems that will need to be taken up by whoever is elected president.

One consequence of that aspiration for clarity is that this book does not seek to touch on every policy domain or offer advice to each government agency or cabinet department. In the course of their work, our scholars engage with essentially every policy challenge that confronts our public officials. They have views they are eager to share on all those fronts. But in this collection, by stepping back a little from the general din, we aim to emphasize a few key issues that should be particularly high on the country’s agenda.

Another consequence—indeed, a particular benefit—of this approach is that it can enable us to take stock of how changing circumstances might require changes in the two parties’ long-standing to-do lists. The era we are living through is a time of reconsideration and, in some respects, even political realignment. It would be easy to miss that by viewing our politics through familiar ideological lenses alone. This period is raising some questions about the value of those very lenses, so it may be best judged apart from them—in ways that leave some room for reprioritizing core aims, if also for reaffirming core values.

All of that, however, is not to say that this volume’s authors do not begin with their own ideals and priorities. The American Enterprise Institute has no party line, but its scholars share a broad disposition. We begin from a love of our country and an appreciation of the need to cherish what has made it lovely. We value America’s capacity to foster the preconditions for human flourishing—strong families and communities, social order and equal justice under law, dignity embodied in honest work and active citizenship, prosperity made possible by competition and innovation, compassion reified in the commitment to opportunity for all, and security realized through a robust advancement of America’s ideals and a tenacious defense of its interests.

These core principles leave a lot of room for debate about particular policy courses, and AEI scholars sometimes disagree with one another.
That much is evident even in this collection. But they always offer honest advice, rooted in those core ideals and informed by deep expertise and experience. That is what we seek to make available here to the president sworn into office in 2021.

For all these reasons, the proposals in this book do not involve easy measures sure to make the president popular. They point to those challenges that will be hardest to confront but irresponsible to avoid. As you will see from both the subjects taken up and the mode in which they are tackled, these chapters aim to help the president think deeply about not only the means of government but also its aims.

Our politics now has real trouble coming to terms with the American public's actual concerns and priorities and real difficulty conceiving of policy tools by which public-spirited objectives might be best achieved. This is not a new problem, of course. In *Federalist 62*, James Madison identified it as perennial:

> A good government implies two things: first, fidelity to the object of government, which is the happiness of the people; secondly, a knowledge of the means by which that object can be best attained. Some governments are deficient in both these qualities; most governments are deficient in the first. I scruple not to assert, that in American governments too little attention has been paid to the last. The federal Constitution avoids this error; and what merits particular notice, it provides for the last in a mode which increases the security for the first.

This remains true of our Constitution, but it is not always true of our government in practice. In this moment, our public officials need help satisfying both of Madison’s criteria for good government. Our hope is to offer some assistance in both regards.

The job of the president of the United States is never easy. The burdens of responsibility laid on that office are unmatched in the world. But the potential to do good is very great. To make the most of that potential requires careful prioritization, balanced judgment, foresight, and political courage. How the executive might cultivate and deploy these in the months and years to come is the subject of each chapter that follows and this volume as a whole.
America is in the midst of its greatest crisis since World War II. At this writing, we cannot yet confidently tell when the COVID-19 pandemic will end. More than half a year into its US outbreak, new infections are still out of control. Since it is a novel coronavirus—SARS-CoV-2 is a pathogen with which humanity has no previous experience—this immense threat is also by definition a fundamentally unfamiliar one. When—and whether—we can create a safe and effective vaccine and how many waves of contagion will roll through our country before COVID-19 subsides are at present unanswerable questions.

Under the terrible pressure of the pandemic (whose ration of public suffering, we must add, has been greater than necessary due to policy bungling), social, economic, and political fault lines in our country have been painfully exposed and enflamed. We endure today not only a socioeconomic emergency but also an explosion of radicalized anger that has spilled into the streets. These current troubles have historical roots: problems long festering and long ignored.

Washington has responded to the pandemic with an unprecedented peacetime mobilization of national resources. Already Congress has authorized trillions of dollars in “stimulus” spending to support distressed businesses and households, and the Federal Reserve System has committed additional trillions—with no end yet in sight.

In relation to total national income, today’s public outlays for social benefits and economic guarantees to cope with the COVID-19 crisis are akin to the peak defense effort in World War II. Just as in the Second World War, we have embarked on an enormous expansion of government reach and a tremendous run-up of public debt, for a still indefinite duration.
In time, we will achieve our national objective in the struggle against COVID-19. Victory in World War II was followed by rapid military demobilization and wholesale dismantling of wartime economic controls. But what of the post-coronavirus era? How will we “demobilize” the makeshift super welfare state we are hastily throwing together to prop up shaky businesses and cover personal income shortfalls?

Such temporary emergency arrangements could easily become all too lasting. And how will we manage to renew postcrisis economic growth so we might, among other things, contend with vastly increased public debts accumulated during the COVID-19 crisis?

Even though the end of our plague is not yet in view, it is hardly too soon to start thinking about how we want America to look in the post-COVID-19 world. If we rely mainly on “muddling through” to set our course into the post-pandemic era, we are all too likely to temporize our way into a nightmare: an American future defined by a hypertrophied, crushingly expensive social-corporate welfare state; a stagnant, politicized economy; and deep, permanent financial dependence on officialdom, both elected and otherwise.

In such a future, democracy would be degraded, freedoms lost, and opportunities narrowed for generations to come. Were we to settle for such a future, we would be the generation that chose against American exceptionalism—that decided being just another sluggish, dirigiste social democracy was good enough for untold Americans to come.

To steer away from this grave danger, we need a vision of the future we want to build in the post-pandemic era, and we need that vision in advance. Such a vision should of course posit a rapid and orderly build-down from the current “total war” scale interventions by the US government and its central bank. But a promise to take us partway back from Leviathan is not good enough.

Simply restoring the pre-COVID-19 status quo ante is not a hill many would—or should—be willing to die on. However much they love their country, Americans are aware of our nation’s creeping failure to deliver its great benefits to all. They know the American dream is not working for growing contingents of fellow citizens beset by faltering living standards, mired in rising misery.

As we look beyond COVID-19, we should therefore determine to redress the social and economic flaws impairing our national performance before
the pandemic. We should seek a social and economic revitalization of our nation, a bold and thorough overhaul of our ways so as to spark a dynamic upswing in progress—an advance that should include everyone. Such an inspiring challenge and unifying goal can help us commit to building a stronger America with an even brighter future. It should be the foremost priority of the president inaugurated in 2021.

The Pandemic’s Legacy

To prevent a catastrophic collapse of the US economy and the American financial system from the nationwide COVID-19 lockdown in March 2020, Washington unleashed a tidal wave of public resources to float businesses and families through the hard times immediately ahead. Mindful of the policy mistakes that deepened and prolonged the Great Depression nearly a century earlier, Congress and the White House reacted rapidly, authorizing extraordinary fiscal and monetary interventions. With the economy in free fall, the impulse to act urgently and “go big” was surely the right call. Yet urgency also meant the largest single “state surge” in American history was necessarily improvised, characterized by not only immense intended consequences but perhaps even greater unintended or unconsidered ones.

For the first phase of the pandemic stimulus, Congress authorized over $2 trillion of spending for affected households and businesses—a single outlay equivalent to 10 percent of the previous year’s gross domestic product (GDP). Just after the first COVID-19 shock (April 2020), the share of transfer payments in total disposable income leapt above 34 percent—up nearly 15 percentage points from the previous year, against an overall 13-point increase for the previous 60 years of growth in the American welfare state. Presumably April 2020 was an apogee, with the worst of the crisis now (we hope) behind us, but for the foreseeable future, government transfers are likely to figure much more prominently in American family budgets than ever before.

Since all the COVID-19 stimulus is deficit spending, public debt is soaring. By just how much is still anyone’s guess. In April 2020—after just the first tranche of emergency “stimulus”—the International Monetary Fund (IMF) projected a more than 15 percent deficit for America in 2020
and almost 9 percent for 2021. By such arithmetic, US public indebtedness is set to exceed World War II levels soon, thereafter drifting up to as yet uncharted heights. In July—just five months into America’s COVID-19 crisis—the IMF foresaw US general government gross debt climbing to 160 percent of GDP by 2030, “even without further rounds of fiscal stimulus.” In 2019, only four spots on the map had levels higher than that: Greece, Sudan, Venezuela, and Japan.

But even as those IMF assessments were tendered, negotiators in Washington were considering the next round of COVID-19 stimulus. Since economic recovery has not wholly comported with the widely desired V-shaped rapid snapback, huge additional rounds of COVID-19-driven stimulus, deficit spending, and debt accumulation could still lie in store. The Congressional Budget Office (CBO) now projects net federal debt will be almost twice the size of the US economy in 2050—two and a half times the pre-pandemic level—and further upward revisions may await.

And the full dimensions of the government’s new involvement in American economic life are not captured by these figures on public finance, for they overlook a colossal off-budget item, important not only in magnitude but in nature. In this current crisis, at the behest of Congress and the Treasury Department, the Federal Reserve has crossed a Rubicon. With its new mandate in the pandemic rescue mission, the Fed readies to the role of managing, even micromanaging, the American economy through credit allocation: marshaling potentially vast sums to lend not only to financial institutions but also directly to businesses it judges suitable for such government support.

In the first half of 2020, the Fed’s balance sheet soared by nearly $3 trillion, mainly through purchases of US government debt and mortgage market debt. We cannot know how much larger the Fed’s presence in US credit markets may become, but in the summer of 2020, financial analysts speculated that its balance sheet “could conceivably exceed $10 trillion by yearend, as the central bank buys corporate bonds, municipal securities and makes loans to medium-sized businesses.”

Since the Fed now dominates the markets for US Treasury debt and domestic mortgage debt, a comparably dominant Fed position in the market for credit for nonfinancial businesses in the near future is by no means inconceivable.
All these dramatic transformations of the American economy, remember, are the intended consequences of the pandemic emergency rescue program. A host of additional unintended consequences are embedded in these policies—and they pose direct risks to America’s long-term freedom and prosperity. The emergency measures are rife with moral hazard, the costs of which will grow ever more ominous the longer the measures remain in force.

Consider the initial $600 a week in additional unemployment benefits individuals could obtain if they were not working or not working enough, regardless of the recipient’s wealth or annual income. (Those pandemic benefits came on top of benefits from the existing unemployment insurance system.) The generosity of this intervention cushioned tens of millions who lost their jobs in the ensuing months and no doubt contributed to public confidence in a moment of maximum economic anxiety. But you don’t have to be in the Mont Pelerin Society to discern the distortions it imposed on the US labor market.

The year before the crisis, according to the Bureau of Labor Statistics, about a third of all jobs in the United States were paying less than $600 a week.7 When added to regular unemployment benefits, the pandemic benefits pushed payments for the jobless above the median wage level in 36 states, according to an analysis for the New York Times.8 Behold! America’s new “Lake Wobegon” job market, in which all men and women can have an above-average salary, so long as they do not work.

Pandemic benefits did not stabilize living standards; they boosted them. One early study showed spending levels for pandemic benefit recipients to be 10 percent higher after the onset of the crisis than before it.9 Pandemic unemployment benefits, in other words, turned out to be a jackpot for many—and you did not actually have to be unemployed to take home the bonus. In July 2020, the national unemployment level was about 17 million,10 but more than 30 million Americans were reportedly collecting some form of unemployment insurance.11

So is COVID-19 America stumbling toward something like a universal basic income (UBI)? Many advocates fervently hope so. But extending indefinitely the income guarantees prompted by the current emergency makes as little sense as fielding our 10-million-man World War II army far into peacetime—and could be every bit as counterproductive for our national interests.
Apart from the not inconsiderable expense and the incentive problems, paying people not to work—that is what a UBI does—is likely to corrode the quality of citizenship in America, perhaps severely.

We can see as much from patterns of daily life for American men age 25–54, ordinarily peak working years, who are neither working nor looking for work. Self-reported time-use surveys reveal they basically do not “do” civil society; they devote almost no time to worship, volunteering, or charitable activities. Despite their basically open schedules, they spend less time on domestic chores and helping with other household members—much less, actually—than women with jobs.

Instead, they while away their days in front of screens—television, internet, handheld devices, and the like—on average over 2,100 hours a year. This is their full-time “job.” And nearly half of precrisis prime-age men out of the workforce said they took pain pills every day. Do we really want to use our national treasure to buy more of this?

Fortunately, we can still rely on a widespread American work ethic today, despite the perverse disincentives dangling from COVID-19 rescue packages. Let’s not find out how America’s expectations and attitudes about work respond to bad incentives over the long run.

As for the Fed, a vast new realm of unintended consequences attends its mission to rescue the American economy. The Fed has established facilities to purchase US government debt, municipal debt, domestic mortgages, and corporate bonds and to lend Fed money directly to nonfinancial businesses. A number of these new facilities at present have no set upper boundaries, implying potentially unlimited commitments. The Fed has announced it will become a player in the corporate-debt market, and it is preparing to lend directly to the private sector on highly favorable terms—under the inherently unfalsifiable argument that commercial banks and financial institutions will not voluntarily dispense sufficient credit to American businesses on their own.

Anointing a credit czar for the American private sector will diminish economic and political freedom. It would mark an unprecedented, indeed explosive, expansion of the administrative state. The existing archipelago of extraconstitutional regulatory agencies in the current administrative state is in theory accountable to Congress, and thus the American voter, but far less so in reality. If the Fed takes over the commanding heights of
the national economy, it, too, will most likely end up answerable mainly to itself in these new duties. Transforming the Fed into a national board of economic management and planning would be a landmark step along the warped path that leads to a permanently diminished Congress.

Then there is the matter of the likely—as opposed to the intended—impact of the Fed’s active management in our private sector. Leave aside the unavoidable, and unavoidably corrupting, politicization of the private sector that will occur when every big business wants to become a “friend of the Fed”—and many will need to be. And leave aside that the Fed has neither the staff nor the technical competence to undertake such a complex and highly exacting task. Even if the Fed could somehow marshal an army of modern-day de’ Medicis to execute it, the mission promises to end in economic failure because the assignment itself is an exercise in adverse selection.

The industrial policy record in other parts of the world—Europe, Asia, and Latin America—is littered with failures, often highly expensive ones. But at least in those other experiments, governments were attempting to pick winners. The Fed’s mandate is to pick losers—companies whose debt is not of “investment quality,” whose loan applications are un-bankable, or whose balance sheets are so precarious that they require big infusions of money on easy terms just to stay afloat. We know how this movie ends: misallocation of capital on a massive scale, unnecessary destruction of wealth, and ultimately weaker economic performance and slower growth.

Cheap money and all but interest-free loans may be delightful for winners of the Fed lottery, but they are procured at the expense of others. And the long-term costs of this racket are much greater than generally appreciated. Since the crash of 2008—for over a decade—the Fed has been enforcing near-zero interest rates. The argument during the Great Recession, of course, was that businesses were so fragile the Fed should do everything it could to help them survive. But the completely unsurprising consequence of long-term near-zero interest rates is a new breed of businesses that can only survive in a low- or no-interest environment. Such “zombie companies” scarcely existed on America’s exchanges 20 years ago, but by one estimate they now account for nearly a fifth of all listed US securities.14

Zombie companies, near-zero interest rates, previously unimaginable levels of public debt—does any of this sound familiar? Yes, we have seen
it all before—in Japan, during its “lost generation” of growth, a saga now actually heading into its second generation. The specter of Japanification is already haunting Europe—and soon it will loom before our nation too.

One may object that our COVID-19 emergency measures are only temporary—that we will leave them behind when the pandemic subsides and resume healthy precrisis ways. But that is more or less what people said in Japan, too, a generation ago, when they confronted their “bubble economy” crisis. Japan, after all, did not always suffer from “Japanification.” But with every passing year, Japan accepted excuses for deferring painful reforms and extending special “crisis” policies one more time. And if something like our own version of Japanification should befall us, there is reason to think we shall not fare as well under it as the Japanese themselves—for we are beset by a number of serious preexisting afflictions with which Japan does not contend.

A Tangle of Pathologies

Ronald Reagan, still perhaps the greatest of our recent presidents, had a gift for the clarifying question. For America today, the clarifying Reagan-esque question would be: “Are you better off than you were 40 years ago?” The unvarnished answer, if we are being honest with ourselves, is that growing numbers of Americans are not and were not even before the pandemic.

America’s engines of material advance and personal success are in serious need of repairs. Without those repairs, America’s future will be increasingly compromised.

Some will find this assessment preposterous. After all, our summary record of national performance over the past generation is a marvel to behold. No nation has ever been as powerful and rich as the United States is today. Thirty years ago, we won the Cold War and became the planet’s sole superpower—a title we still hold. Over that same period, we nearly tripled our private wealth, adding almost $75 trillion in today’s prices of net worth, close to a quarter of a million dollars per American man, woman, and child. Even today, in the midst of the pandemic, US stock markets are near all-time highs. Never before has the world seen a system that could generate so much national strength and prosperity.
But during our unipolar moment a rot was eating away our national foundations. For the most part, our elite—our deciders and describers—didn’t notice: It wasn’t affecting them or the people they knew. But in the glare of our current crisis, the rot can no longer be concealed. Symptoms of our social and economic ailments abound. Call them the paradoxes of plenty, unnatural afflictions that define daily life in our second Gilded Age.

Consider four startling contradictions in particular. First, although our nation has never been so rich, never before have so many in it been dependent on poverty-conditioned, means-tested benefits. Second, although survival odds for young and middle-aged parents are vastly more favorable than in earlier times, many more children today live as if orphaned: with just a mother, just a father, or sometimes just grandparents. Third, although we enjoyed a so-called “full employment” economy on the eve of the pandemic, the 2019 work rate for prime-age American men mirrored the level in 1940, at the tail end of the Great Depression. And fourth, although our national net worth has been soaring for decades, real net worth for the bottom half of households was distinctly lower just before the pandemic than when the Berlin Wall fell 30 years earlier.

No one can look at such results and claim that a rising tide lifted all boats, as some of us in the early 1980s ardently hoped it would. But why? What accounts for these miserable contradictions?

The conventional answer is “structural economic changes” in our age of globalization and rapid technological advance. There is truth in this explanation—but just as clearly, it is not the whole story, and it may not even be most of the story. For any honest observer knows that our country has become ever more ensnared these past four decades in a “tangle of pathologies.”

The formulation is not my own; it was coined by Daniel Patrick Moynihan, in his seminal, still-controversial 1965 report on the crisis of the black family in America. Moynihan warned that family breakdown and its ramifications—illegitimacy, broken homes, absent fathers, welfare dependence, and more—were undermining social and economic progress for black Americans and would limit the gains that civil rights reforms seemed to promise.

Moynihan’s report is still an arresting read, in many ways prophetic. With the benefit of hindsight, however, we now know he was wrong on
one crucial point—a point, I hasten to add, that none of his fire-breathing critics got right either. Since he traced the crisis of the black family to the “three centuries of injustice” African Americans had endured under slavery, subsequent institutional discrimination, and continuing racial prejudice, Moynihan believed it was unique—an awful aberration, not a vision of the American future.

Yet far from constituting a tragic exception to the rest of the national experience, the turmoil in black communities that Moynihan described in the 1960s proved to be a leading indicator—a prefiguration of the trends that would lie in store for citizens with no such legacy of race-based mistreatment. The symptoms Moynihan identified have worsened in black America since his diagnosis—but they have spread through the rest of the nation too.

At the time of Moynihan’s report, 24 percent of black births occurred outside marriage. In 2018, America’s overall ratio was about 40 percent. In the early 1960s, just under a quarter of black children were being raised in a mother-headed home; last year 26 percent of all American children lived with a single parent—and another 4 percent lived with grandparents or other relatives or in foster care. In the early 1960s, some 14 percent of black children were on Aid for Dependent Children (or “welfare,” as it was widely known); by 2018 well over 40 percent of all American children lived in homes accepting means-tested benefits. In fact, one Census Bureau survey tracking social benefits put the share at about half.

Moynihan’s “tangle of pathologies” is rampant nowadays in New Hampshire, 99 percent nonblack, where a third of births are out of wedlock, 26 percent of children live in single-parent homes, and 35 percent of children live in homes receiving at least one means-tested benefit. Even predominantly Mormon Utah, likewise 99 percent nonblack, is no longer immune from these pathologies: Nearly one baby in five in the Beehive State is born to an unwed mother, and a quarter of its children live in households that receive means-tested benefits.

Worklessness and crime also figure in the modern American tangle. Back in 1965, one in eight prime-age black men was not holding down a job; in 2019, in a supposedly booming economy, the corresponding rate for American men of all ethnicities was even higher. And by 2016, over 90 million American adults—nearly three in eight—had criminal-arrest records. But we didn’t pay much attention, for as social pathologies go
mainstream, there is a temptation to normalize them by “defining devi-
ancy down” (another fateful Moynihan insight).

We normalized some of this behavior in other ways too. When postwar
economic growth began its long slowdown, America entered into a new
social compact with the poorer half of its people. The compact was unspok-
en, but let’s call it what it is: our modern Declaration of Dependence. In
this raw deal, we tried to buy social peace by underwriting further improve-
ments in how the other half lives—but through welfare and debt. No mat-
ter what they say or how they posture, both political parties are complicit
in this arrangement, which is why it has continued for decades.

Between 1985 and 2016, according to Census Bureau Survey of Income
and Program Participation figures, the share of Americans in homes
depending on means-tested benefits more than doubled, vaulting from
15 percent to 36 percent. Over those decades, America’s means-tested pop-
ulation nearly tripled, shooting up by 79 million: But total US population
grew by just 85 million over those same years.

The relentless increase in social welfare recipients has transformed
the face of dependency in modern America. These programs are no lon-
ger just for struggling women and children. Grown men in the prime of
life, ordinarily a society’s providers, are now a major constituency for
need-based public aid. In 2016, 30 percent of prime-age American men
lived in homes that asked for and accepted at least one means-tested ben-
efit (triple the share in 1985). If we add in payments from our increasingly
problematic disability programs, over 35 percent of our prime-age men
were obtaining some form of government assistance in the years leading
up to the current crisis.

Americans see our middle class as under increasing pressure. Yet in all the
commentary on the factors threatening the American middle class, rising
welfare dependence is almost never mentioned. It is a curious oversight.
For “middle class” is defined not by a pay grade, but rather by a mental-
ity: a set of values and aspirations and the behavior and habits these con-
dition. Our middle class seemed to fare perfectly well in the Eisenhower
years, when per-capita income was barely a fourth of what it is today. You
can have a low income and still consider yourself middle class. If you seek
and accept public benefits intended for the poor, on the other hand, your
membership in the middle class is in jeopardy, and you probably know it.
As the lower half of the income scale became increasingly dependent on means-tested public largesse (and such spending now averages around $6,000 per recipient), their personal finances also grew strangely precarious.

Nearly three in eight American homes today are rentals, and most renters find themselves all too near a hand-to-mouth existence. Half of all renters in 2016 had a net worth of under $5,000—and not because they were all newly minted PhDs awaiting their first big job. Half of renting seniors 65 and older had less than $7,000 to their name—same for renters age 45–64. An astonishing half of all female-headed renting families had less than $1,500 in net worth.

As for liquid assets—cash, checking accounts, and the like—less than half of renters in 2016 had more than $1,200, and most renters 45 or older had less than $1,000. How would they handle an unexpected $1,000 expense? In a nation surfing on a tsunami of wealth, many millions of homes were one emergency away from being financially drowned. Reliable national data on the number of renters subject to eviction each year are as yet unavailable, but the phenomenon seems to be increasingly common.

Moreover, whether renters or homeowners, the bottom half of homes in America saw its mean net worth fall between 1989 and 2019—by at least 16 percent and perhaps even more, depending on which measure of inflation one prefers. Median net worth for the lower half was under $2,500 in 2016; the median home in the lower half had less than $1,000 in liquid assets to draw on. And over the past generation, personal debts and loans have eaten away the net worth of Americans in the lower half. By 2016, they were far more leveraged than in the 1980s, with $75 of debt for every $100 of assets.

To make matters worse, American voters do not want to pay for the means-tested benefits bolstering living standards for the bottom half, so they have been borrowing money to cover them. Actually, this is true for all our social entitlement programs, not just those earmarked for people willing to call themselves “poor.” This is the meaning of the past four decades of near-continuous budget deficits, of the dramatic run-up in peacetime public debt in an era when transfer payments dominate our public finances.

Since public debts are taxes postponed, we have been consuming and gifting more entitlements than we ourselves are willing to pay for—and
charging them to future workers, including workers not yet born. The fecklessness of our *après nous le déluge* Keynesianism was perhaps most vividly illustrated by the 2019 federal budget, the last complete fiscal year before the pandemic, when Washington ran a budget deficit of nearly $1 trillion, an estimated 4.6 percent of GDP, *at the top of a business cycle.*

Our social enervation and increasingly fragile finances (both private and public) echo our national economy, in which dynamism seems to be steadily ebbing. True: America’s top corporations are world beaters, still best in class and the envy of regulators in other lands. Our trillion-dollar gladiators cast a long shadow. Maybe that is why we don’t always notice what is going on in the rest of the private-sector arena.

Simply put, there is less creative destruction, the lifeblood of free enterprise. The ratio of new startups to existing businesses has been falling for over 40 years—for as long as we have been keeping such records, in fact. Accompanying the decline of American “garage entrepreneurialism” has been a continuing drop in labor market “churn”—switching jobs. “Quits” are down, too, and while that may sound good, it isn’t; it is a vote of no confidence in opportunities elsewhere. Overall, residential mobility in America is at an all-time low: Last year people were half as likely to move as in the early 1980s—yet another warning sign of gradual hardening of America’s entrepreneurial arteries.

Structurally, American business is increasingly gray and top-heavy, dominated by larger, older corporations with easy access to capital at highly favorable rates that smaller businesses cannot obtain, aided by fixers and regulatory counsel smaller firms can’t afford. By some important yardsticks, we see increasing market concentration and decreasing knowledge diffusion—more laggards falling behind on the learning curve. This is not a recipe for healthy improvements in productivity. It should not surprise us that our decade of recovery from the Great Recession of 2008–09 was the weakest snapback ever recorded for the American economy.

Thus, as we look beyond COVID-19, the arithmetic for US economic growth is not necessarily advantageous. The problem signs are both social and institutional. Over the long run, economic progress in a modern economy depends greatly on human resources and business climate. Yet over the past generation, despite our unaccountably expensive health care system, health progress has been agonizingly slow—barely one extra year of
life expectancy per decade, with stagnation and even slight declines since 2014—partly because of white America’s opioid crisis.30

After leading the world in educational advance for the century following the Civil War, America’s progress in attainment suddenly threw a gear; for a generation and more it has been limping along at barely a third its historical pace, as others surpass us in mean years of education. And while some appreciate the tax cuts, it is hard to argue that America’s business climate overall has improved thus far in the 21st century. To the contrary: Although subjective, such varied measures as the “Index of Economic Freedom,” “Economic Freedom in the World,” the “Corruption Perceptions Index,” and even the World Bank’s “Ease of Doing Business Index” all show some drop in US ratings and rankings for quality of institutions and policies over the past two decades.

These trends influence long-term economic performance. Unless they change, America is in danger of an unexpectedly weak recovery from the COVID-19 crisis, followed by a run of much slower economic growth than we are accustomed to. We could find ourselves drawn closer and closer to our own form of Japanification—a version, for reasons already mentioned, quite possibly much more unpleasant than the Japanese original. If we are to redeem the promise of the American future, we need to be thinking right now about how to achieve escape velocity from a future of stagnation and dependence.

A Vision for Revitalization

Revitalizing America after COVID-19 will be a monumental national challenge—likely the greatest in our lifetimes. The alternatives are clear. Failure is too terrible to contemplate. A shriveled future would await America—not just us, but generations yet unborn.

Failure in this quest would also have global consequences, with the most devastating blows falling not on us or our descendants but on the weak and vulnerable in countries far away. The postwar liberal international order that the United States fashioned has been the single greatest force for global good—for human security, freedom, and prosperity—in modern history. Like it or not, there is no understudy waiting in the wings
of the world stage if we decide to skip out of the starring role Providence has assigned us for the time being. Ask the Uighurs what a world order with more say for the Chinese Communist Party would look like.

But what’s good for the rest of the world has to work for the folks back home in America too—or eventually the American voter will cease underwriting it. America is a republic, not an empire. Our Constitution says we need permission from the people to use our might and wealth overseas. And we cannot expect loyal Americans who have been falling behind for decades to consent indefinitely to the expense and sacrifices of US leadership abroad. At the end of the day, the stakes in restarting the escalator for all Americans are truly planetary.

If we are to commence revitalizing America as soon as our current crisis subsides, we need a vision right now for where we want to take our nation tomorrow. Not a plan—too many details are intrinsically impossible to hash out in advance—but rather aspirations and ambitions that head us in the right direction and offer a bit of guidance for the journey ahead.

We should envision a more dynamic, rapidly advancing, and self-reliant America: an America that can generate prosperity for all. An America with more freedom and stronger families and communities. An America in which people are less weighed down by government debt, less dependent on infantilizing state handouts, and more fully in charge of their own pursuit of happiness.

The arithmetic of American revitalization depends, first and foremost, on a sustained upswing in national productivity. Our economic performance has been ever more anemic in the decades leading up to our current crisis.

We know the main elements required for restoring rapid productivity growth in America. We need more and better research, both public and private. Like any resource, funds for research and development can be squandered if they are not used wisely. But in a revitalizing America, we would be investing much more heavily in this aspect of America’s future than we do today. Israel, South Korea, Taiwan, even Sweden: All now devote more of their economies to research and development than America does. We used to lead the world in this—and we should want to again.

We need more and better education and training—again, much more. As noted already, over the past four decades, America has been stricken by a strangely unexamined slowdown in educational-attainment advance.
If we had only maintained our previous tempo of long-term advance, our working-age population today would have on average nearly two additional years of schooling—and even more for younger adults.

Rough rules of thumb suggest these educational shortfalls have lowered current US output by many trillions of dollars. And that slowdown in educational progress has not only depressed our national income but also skewed the distribution of opportunities unforgivingly. In what economists call America’s “race between education and technology,” lagging education makes for labor displacement, with flagging wages for the less skilled to boot. Should we really be surprised by what has happened to our nation’s employment and earnings profiles since our great slowdown in educational progress set in? More and better education will generate better wages, especially at the bottom; increased opportunity; and that welcome, vibrant “churn” once again.

Then there is America’s other big innovation problem: the sclerosis, complacency, and rent-seeking in our private sector, especially in big business. America cannot succeed unless a lot of its firms fail—including some of its largest ones. Bankruptcy and reallocation of resources to more productive ends are the mother’s milk of dynamic growth in a competitive market. There should be no room for corporate welfare in a revitalized America. Bring on the “zombie apocalypse” in our corporate sector. We will not only survive it; we will thrive by it.

The gradual spread of dependence unintentionally incentivizes long-term helplessness and incapacity, wastes human potential, and kills dreams. A revitalized America must offer a pathway from dependence back to self-reliance for individuals and families. This will of course be easiest with dynamic growth, but in any case, it will require rethinking our sprawling and largely dysfunctional social welfare system.

To the fullest extent possible, American social welfare arrangements should be reconfigured based on a work-first principle, with active employment or job seeking conditioning other benefits. The concept of a living wage for working families is worth exploring as well. Of course, a panoply of unintended consequences could attend subsidizing employment, so reorientation to a work-first principle bears careful consideration. This will unavoidably create problems of its own, but pursued correctly, we are likely to be trading a larger set of problems for a decidedly smaller set.
This brings us to demography, the vital factor that may spare us the plight of a shrinking, atomized society. Perhaps the two most important demographic questions for a revitalized America concern family and immigration.

Some truths about the family are so obvious that it would take an expert to miss them. Family is the basic building block of our society and our nation, so the health of our country depends on the health of our families. Without presuming the Solomonic acumen to judge any single family situation or circumstance, we can nonetheless confidently prefer more intact families to fewer of them; greater rather than fewer lasting, committed marriages; more rather than fewer children born within marriages; and more time at home, not less, for parents with their children.

We also know that strong bonds of kinship are the very first safety net our species developed. Weak and fractured families spawn big national welfare systems. A century and more of modern social policy has demonstrated that the state is a highly imperfect substitute for the father and is even more misbegotten when attempting to step in as mother. Repair of the family would greatly aid the revitalization of America—but if this happens, it will be on its own organic schedule, abetted by recovered social wisdom and maybe even one of those unsummoned Great Awakenings to which America seems subject. Government can cheer this project on and of course amend anti-family bias in its own policies, but at the end of the day, this is a project for the American heart.

Then there is immigration. Immigrants have been a great blessing for our country. Current and future immigrants should play an important role in revitalizing America. People who risk everything to come here to start a new life embody the American spirit; that is why immigrants generally make such great Americans. And the magic of the American ethos seems especially suited to making loyal and productive citizens out of these newcomers.

There is an argument for favoring highly skilled immigrants in the future, and it has merit. But the grit, drive, and family values of immigrants with little formal education should have a place in our country too. Such strivers and their children make us more dynamic, for talent and entrepreneurialism do not always come with academic credentials.

Yet we must not forget this important proviso: Globalization should work for Americans—not the other way around. That holds for immigration.
Our national sovereignty is nonnegotiable. We Americans get to choose who is invited to our land—no one else. My own preference, as you can probably tell, is for fairly high immigration quotas. But whatever the level, immigration to our country should be legal immigration.

Illegal immigration is not only an affront to our rule of law; it is an affront to our democracy because it circumvents the people’s will. If our immigration process is badly broken, as almost all agree it is, we should fix it; that is what competent democracies do. But it is voters from the US—not virtue signalers from Davos or elsewhere—who get the say over who joins in our American experiment.

A key indicator for our national revitalization will be wealth trends for the lower half in our society. We should want to see their net worth growing—in fact, growing a good deal faster than for the country as a whole. And when I say wealth, I mean private assets in their own immediate possession—things such as bank accounts, homes, college funds, and retirement accounts.

A neoclassical economist will make the case that payouts from our national social insurance system—Social Security—should be counted as wealth for these homes, and the argument is theoretically unassailable. But some take this to mean we should not worry so much about tangible private assets for the less well-to-do. If we took this logic to its conclusion, we would be counting the net present value of expected future food stamp use as wealth too. There is a world of difference between a monthly check from the government and a lump sum you put together through managing your own affairs. A free people deserves better than a life on allowance money and a debit card.

A revitalized America can provide the framework in which everyone can build their own wealth—with the help of more work, better wages, and constantly improving opportunities and skills. But personal responsibility is the other element. Establishing creditworthiness is up to you. Financial discipline, thrift, and other money habits determine a family’s savings, and consistently accumulated savings are the basis of personal wealth. As a practical matter, family stability is terribly important to a household’s wealth outlook. The struggle to save and get ahead is so much harder in homes with just one parent, and even in a revitalized America, that hard reality is not going to change.
If America is to revitalize, then our government will need to adopt budget discipline. Yes, there is a respectable Keynesian case for running big deficits in bad times and emergencies, just as there are special times when a family may need to live beyond its means. But unlike John Maynard Keynes, who said government should run surpluses in good times to balance out the deficits in bad times, we seem to find an excuse every year to spend more than we bring in. If we treat each and every new fiscal year as if it is an emergency, the prophecy will become self-fulfilling. The path to Japanification is paved with high budget deficits and ultra-low interest rates.

If we revitalize America, ours will be a future of positive interest rates and low or negative net budget deficits. Taxes will have to be higher, too, for at least a generation, since in a revitalized America we will cease spending our children’s inheritance. But future generations will thank us for this—and if we attain dynamic growth, then the tax bite shouldn’t sting quite as much.

Over the past half century, affluent democracies that undertook far-reaching reforms usually did so only after their governments faced forcing crises—“ran out of other people’s money,” as Margaret Thatcher put it. For better or worse, we do not have that “luxury” today. America is backedstopped by over $100 trillion in private wealth, plus the perquisites of printing the world’s reserve currency.

No one is going to make us undertake the far-reaching, long-term, initially painful changes we will need for revitalization. We have to want them—and do them all by ourselves, with our backs not yet to the wall. Yes, the American people will have to hunger for revitalization if they are to see it. And we will need leaders, including presidents, who want to help us get there too.
Notes


11. Ernie Tedeschi (@ernietedeschi), “My comprehensive insured unemployment rate, which includes all state & federal UI programs and attempts to correct for PUA data errors, is flat at 20.2%,” Twitter, July 23, 2020, 8:41 a.m., https://twitter.com/ernietedeschi/status/1286280153128214531/photo/1.


23. Data here are drawn from the Federal Reserve’s Survey of Consumer Finance.


Take On America’s Five Key National Security Challenges

KORI SCHAKE

In the coming years, the president of the United States will face five significant national security challenges: pandemic recovery, debt planning, rebalancing our over-militarized approach to the world, handling China, and harnessing allies.

Policies to repair the pandemic’s damage are a necessary precondition for addressing the other national security threats. Long-term debt-reduction efforts are also essential to having the resources for defense. Strengthening and using nonmilitary tools to protect and advance our interests will be crucial to making American strength sustainable. Hedging against the possibility of a failing China and a succeeding China will better balance our defenses. And a return to playing team sports—using our alliances—will both strengthen our hand and share the burden of protecting our country.

These are major challenges. But our country is more than powerful enough to meet them. We have enormous and enduring structural advantages in place, and the nature of the emergent threats actually plays to our societal advantages. Nearly any previous American president would gladly have traded his problems for our problems, as would practically any other country’s leaders. The US is only a few good choices from dramatically strengthening itself, both domestically and internationally.

Pandemic Recovery

The devastation that COVID-19 unleashed—and the fumbling policy choices of the federal government, numerous states, and many
localities—will cast a long shadow across American life. Our government can and should focus on restoring the safety and prosperity of American communities. Until American families and businesses have a path back to normality, public interest and support for international engagement—always the principal constraint on American involvement beyond our borders—will simply not exist.

Without public confidence that the government has sensible plans for pandemic recovery, this likely means retrenchment from costly or demanding international obligations: winding down American involvement in Afghanistan, Iraq, and Syria; hesitating to make commitments to the people of Hong Kong and Taiwan pressured by China, or those of Ukraine and Belarus pressured by Russia; sustaining indifference to the COVID-19 wildfire burning through less-developed public health systems in Africa and Latin America; and missing opportunities to capitalize on a collapse of Chinese investment projects in South Asia and the Pacific. The international order will fray and be less advantageous to our interests without assertions of American power.

Our failures to respond to the pandemic have badly damaged our reputation for competence, not only at home but also internationally. Our failure to organize a global pandemic response is a huge opportunity missed to use the crisis to establish patterns of cooperation beneficial to our and others’ interests, and our adversaries are using it as proof that the US can no longer act as the guarantor of order. Authoritarians will use the sight of angry Americans willfully endangering each other as proof that our way of life leads to dangerous chaos.

But we can recover from these mistakes. This is not the first denting of our reputation, and there will be myriad opportunities to showcase the strengths of American science, innovation, governance, civic activism, imagination, and experimentation. We are not the only country managing the pandemic badly either. Our adversaries have also made mistakes, and they have less margin for error than does the US. And whereas China’s people losing confidence in their government is a legitimacy crisis, Americans almost always think their government is bad at its job. Our ornery insistence that we know better than our government may even strengthen our ability to deter adversaries by displaying the American public’s shocking risk tolerance.
Nor have all our government’s responses and decisions been ineffective. The Federal Reserve has become central banker to the world, fending off global economic collapse by ensuring dollar liquidity to emerging markets and keeping the dollar’s value stable. The variance of state policies has stimulated experimentation and showcased the value of federalism. The dynamism of American faith communities, civic organizations, and philanthropic individuals such as Chef José Andrés and Bill and Melinda Gates have filled gaps of governance solutions. Even protests against police racism and brutality remind the world of Americans’ ability to hold their government accountable.

Fortunately, what is needed to recover from the pandemic will also benefit American power internationally by strengthening its wellsprings: economic dynamism, the social resilience to weather volatility, a public demanding better solutions, and a political system responsive to those demands. Fixing our domestic failures is actually the best answer to the international challenges the US faces. It must be the president’s first priority in 2021.

Debt Planning

The US Defense Department excels at long-term planning. Production time lines for major military acquisitions are two decades long. Developing able military leaders takes roughly as much. It is the only federal government department that produces along with its annual budget a “future years defense program” projecting out five years. It has an elaborate, formalized planning process that commences with evaluating threats. Therefore, it is striking that in 2010, with Russia under Vladimir Putin’s control and China already ominous, the Defense Department concluded that the main threat facing the United States was its national debt.¹ It considered that “rising debt and deficit financing of government operations will require ever-larger portions of government outlays for interest payments to service the debt.”² This is a structural vulnerability of enormous consequence yet easy to ignore.

Congressional Republicans fell quiet about deficit spending when President Donald Trump took office, but the problem of expenditures
outpacing revenue continues to loom. The trillions of dollars of pandemic stimulus to cushion the effects of shutdowns were necessary, as will be continuing jolts of spending to defibrillate the economy. But at some point the government will have to acknowledge the long-term consequences of a debt-to-GDP ratio soaring past 100 percent.\(^3\) If the US does not establish a path toward deficit reduction, the risk of financial crisis grows, as does the drag on the economy. Equally important from a defense perspective, debt service (even if interest rates remain stable and low) risks crowding out defense spending; by 2024, at current projections, interest payments will surpass defense spending.\(^4\) And the pandemic will further exacerbate downward pressure on defense spending as the definition of national security expands to incorporate health systems and stockpiles of supplies.

There are many ways to attack the problem, including economic growth to increase the denominator. But putting entitlement programs on sustainable footing will be the essential component. Discretionary spending cannot compensate for a failure to address entitlement growth. For a country as prosperous as the United States, the availability of resources for defense is a choice. We have the money to provide for the common defense. But without a plan for entitlement reform and gradually slowing the growth of our national debt, defense is likely to be submerged under other societal priorities.

**Rebalance an Over-Militarized Foreign Policy**

Since the end of the Cold War, the US has given short shrift to the nonmilitary tools for effecting change in the world. We disestablished many of the specialized agencies, such as the US Information Agency, that projected American beliefs into the world, shaping both how foreigners saw us and how they saw their own governments. And we continue to injure our own abilities, as demonstrated by the recent politicization of Voice of America that will damage its legitimacy and the Trump administration’s repeated budget submissions for 30 percent reductions in spending for the Department of State.

The State Department needs more money, not less—much more money and many more people. Those people need to be out in the world, meeting
with civil society groups, bearing witness to tragedies, being part of the conversation in local languages, evaluating asylum and visa applications, and seizing opportunities as they arise. Consequential policy decisions will be made in Washington; what we need in bulk are retail interactions that can happen only in foreign lands.

But money alone cannot fix the State Department’s problems; the deeper roots of its underperformance are cultural and need the sustained attention of a deputy secretary for management to oversee the recruitment, training, assignment, and promotion of our diplomats and the funding of their activities. And diplomacy is only one of the nonmilitary tools in which we need to invest. We need more banking experts at the Treasury Department tracking money laundering and identifying how to sanction foreign companies and individuals. We need more public health experts, agronomists, educational administrators, hydrologists, and veterinarians to help people solve their problems, because that is how we build receptivity to solving our problems.

We need more spies under diplomatic or commercial cover in international organizations. Our intelligence agencies have become more tightly intertwined with military operations and now give too little attention to their traditional functions of nonlethal covert action, such as keeping opposition newspapers printing and cultivating future leaders. We need to diversify how we engage with and in other countries to advance our interests.

Rebalancing our policies requires more than strengthening our nonmilitary tools. It also requires disciplining the policymaking process so that problems get attention before they urgently require solutions, allowing for actions that have longer lead times to take effect.

We often resort to military force because the military can be thrust into difficult circumstances and can figure out how to achieve what elected officials want done. But we should build that capacity throughout our national security agencies, not continue to assign to the military functions that are inherently civilian in nature.

The federal government should also be more open to putting into play elements it does not control, such as religious groups, businesses, and philanthropists. We have a tendency to think and plan narrowly based on what the government can order into action, when the vibrancy of civil society is one of our great comparative advantages. We need to learn to
orchestrate activities we are not in control of so that our means are not constrained to what our government spends.

An example of what is possible was enacted at the American embassy in Beijing in 2010, when American diplomats began tweeting out data on air quality.\(^5\) It cost American taxpayers almost nothing but forced the Chinese government into accountability with its own public, with an enormous effect on Chinese policy, both domestically and internationally. What we need are more civilians across many agencies of government thinking and acting creatively to use the tools of our free society to advance our interests.

**Handling China**

It redounds to America’s credit that, when faced with the prospect of a rising China, we envisioned a powerful, prosperous China that could be an ally and not an adversary. Previous great powers have faced much more resistance to their power than has the United States, because we built an international order in which the rules are beneficial to all who comply with them. The US leaves room for others’ success instead of wringing out the last ounce of advantage for ourselves. But, although we have been willing to create space for China to develop in ways that did not undermine our interests, China has made a different choice, and we must be realistic about it.

The Trump administration did well to shift the basis of China policy from engagement to confrontation in 2017, because China’s actions had made clear it was unwilling to adopt the “responsible stakeholder” role on offer. But Trump administration policies have worked at cross purposes. For instance, the National Security Council’s China documents say the US has no interest in regime change, while State Department statements call for internal change in China. The nonmilitary elements of the administration’s approach have lagged years behind the Defense Department’s more assertive countering of China’s attempt to suborn the established order in Asia, moreover, leaving countries in the region fearful of confronting China to balk at the military’s leading role.

But important as our altered perspective on China has been, the United States still lacks a proper perspective. American policy implicitly views
China as an irrepressible commercial force—a society compliant or fearful enough to permit massive data harvesting that will irretrievably advantage Chinese development of leap-ahead technologies—and allows China to surpass the United States’ economic and military prowess. The Trump administration’s National Security Strategy assesses that militarily, “U.S. advantages are shrinking as rival states modernize and build up their conventional and nuclear forces.” The National Defense Strategy shifted priority from fighting terrorism, its preoccupation of the previous 18 years, to inter-state strategic competition.

James Fallows has written on the importance of the jeremiad in American foreign policy: The US succeeds when it recognizes it is failing. Such a recognition is now palpable in our approach to China. The gears of American government and society are beginning to mesh as various departments examine how China is using the openness of American society to undermine it. Treasury has identified and sanctioned Chinese businesses and individuals involved in depredations against Uighur. Education is denying university and laboratory access to those associated with the Chinese military and investigating payments to American researchers. Universities are closing Confucius centers and refusing funding from Chinese sources. Civil society is shaming companies involved in Chinese surveillance projects.

The objective of US policy remains to compel China to accept the rules of the existing international order: acknowledging state sovereignty, not changing internationally recognized borders by force, respecting self-determination of peoples, abiding by the United Nations Convention on the Law of the Sea, and respecting commercial law and intellectual property rights. These things China is clearly not doing. And China’s refusal to accept the rules is validating the shift in American policy and consolidating allied support.

But just why has China moved so aggressively in our time? This is a vexing national security question on which several elements of our global strategy depend. Have the Chinese grown more assertive because they believe the US too weak and discredited to counter them? Is it because they know their power has crested and are trying to change the rules before we realize they are a waning force? Is it the result of an authoritarian system in which the leader is shielded from adverse reports? Is it an attempt
to foment nationalist solidarity as the economy softens and legitimacy of Communist Party rule could be challenged?

There are reasons to believe China’s continued success is imperiled. Since 2008, its growth rate has halved, productivity growth has been negative, and its debt has quintupled. Because of its Belt and Road Initiative, China is the world’s largest creditor, and most of the projects were of questionable economic viability even before the pandemic stalled many economies. As Michael Beckley has noted, China’s assets have become liabilities.⁹

A failing China may be a greater threat to US interests than a succeeding one. China has been an important engine of global growth, and notwithstanding the greater segregation of some supply chains, the intertwining of our economies will make even a peaceful failure painful. On its current path, moreover, China is unlikely to accept a peaceful failure.

Because there is so much we do not know about why China is making the choices it is making, we need a strategy that hedges against a variety of bad outcomes and seeks to channel Chinese actions in less destructive directions. To succeed, we will require a strong military deterrent, creative diplomacy, a smoothing out of the countervailing forces in current policy, and support from countries in Asia and beyond.

Harnessing Allies

Taking on all these challenges will require us to grasp again the value of robust alliances. Even if our allies contributed nothing, our relationships with them would be advantageous because those countries are not working against us. Of the 15 largest economies in the world, 14 are American allies or partners; 12 of the top 15 countries by defense spending are American allies or partners.¹⁰ At a minimum, our alliance relationships prevent those resources from being arrayed against us.

But they do far more than that. Most American allies are our friends, share our values, grieve our losses, and fight alongside us in our wars. (Make no mistake: We drag them into wars; they do not drag us.) They succeed when we succeed and fail when we fail. All are middle or small powers that cannot shape the global order without our help, but they add both moral and material heft to our endeavors. Tiresome as our
allies can be, our work is lonelier, more expensive, and more difficult without them.

The international order the United States and its allies have built is under strain from American indifference and Chinese usurpation. The UN Convention on the Law of the Sea is an example of an opportunity we are missing and difficulties China is exacerbating. The US was an original motivator of the convention; we not only abide by its terms but also enforce them. Yet, alone among the 160 countries that negotiated the convention, we have declined to ratify it. China has ratified it but has violated its terms daily. The Philippines took China to the Permanent Court of Arbitration and secured a verdict against China’s incursions into Philippine waters.

Where alliances or institutions are inadequate or ill-suited to current needs, existing ones can be repurposed (as we have done frequently before) or new ones constructed. The US does not actually need international institutions. We are strong enough to do without them. But they really matter to states that do not have the power to enforce their will, because the predictability of rules and procedures builds trust and provides agreed ways of resolving disputes. The genius of the American-led international order is that we have voluntarily restrained our behavior to gain the cooperation of weaker states. Returning to the practice of working through institutions will regain the trust of smaller states we want on our side for the challenges we are facing.

Priorities in a Dangerous World

These five priority areas in national security are by no means the only problems or crises our president will face in the coming few years. Presidents rarely get to choose what problems will confront them. But if the next administration prioritizes these five, it will strengthen the core of American power and have the surge capacity to deal with crises.

Disciplining the government to prioritize is no small feat; it is almost never achieved by any administration. But a clear sense at the outset of the core problems to confront can make all the difference.
GOVERNING PRIORITIES

Notes


Strengthen the Post-Pandemic Economy

MICHAEL R. STRAIN

The president who walks into the Oval Office on the afternoon of Inauguration Day 2021 will face a weak economy with high unemployment. The coronavirus pandemic and lockdown orders this past spring led the economy to face its greatest challenge since the Great Depression. That president’s first task will be to deal with the human and economic damage from the aftermath of the pandemic recession. How should he think about this challenge?

To begin, it is helpful to understand the magnitude of the crisis—the speed and depth of the pandemic recession. Lockdown orders and fear of the coronavirus caused the labor market to fall off a cliff in March 2020. Seasonally adjusted initial claims for unemployment insurance benefits were elevated at 282,000 during the week ending March 14. The next week, there were 3.3 million new claims for unemployment benefits, shattering the 1982 record of 695,000 new claims in a single week. The week after that, which ended on March 28, there were 6.9 million initial claims.¹

The unemployment rate was remarkably low in February, standing at 3.5 percent. In March, it rose to 4.4 percent, and in April, it peaked at 14.7 percent, the highest rate since the Great Depression. Unemployment increased by a factor of four in just two months.² For comparison, it took nearly two years for the unemployment rate to double during the Great Recession, rising from 5 percent in December 2007 to 10 percent in October 2009.

At the time of this writing, the unemployment rate is over 8 percent, and there are over 13 million unemployed workers in the nation. Although the unemployment rate has fallen rapidly, it will likely remain at recessionary levels throughout 2021.

Unemployment of this magnitude represents millions of workers on the sidelines who could be earning income, producing output, and contributing
to overall economic demand. It means the economy is failing to converge quickly to a new equilibrium in which workers are put to their best and most productive use.

And it is a human tragedy. Many people tend at least in significant part to understand themselves through what they do for a living. “I’m a teacher” and “I’m a salesman” are more than occupational descriptions; they are statements of identity. Unemployment deprives people of a large part of themselves. Jobs are a source of personal fulfillment and a principle way many of us provide for our children. Moreover, in a market economy, paid employment is a major mechanism of social contribution. Getting up and going to work benefits not only the individual but also the whole of society.

Work creates community. Many of our closest friends were first merely colleagues. Many people met their spouse on the job. The lockdowns and social-distancing guidelines Americans have lived with since the spring of 2020 underscore the importance of professional community by depriving us of its physical manifestation.

Our jobs are often also primary vehicles for personal expression and creativity. Work educates our passions—liberating us from them—by directing them to productive ends. In these ways, work, properly understood, is deeply spiritual. Man “is called to work,” wrote Pope Saint John Paul II. Citing the Church’s “conviction that work is a fundamental dimension of human existence on earth,” the late pope wrote in Laborem Exercens: “Man is the image of God partly through the mandate received from his Creator to subdue, to dominate, the earth. In carrying out this mandate, man, every human being, reflects the very action of the Creator of the universe.”

The president who takes the oath in 2021—Joe Biden or Donald Trump—should be impressed, then, with not only the magnitude of the economic damage the nation faces but also the importance and urgency of economic recovery.

Fiscal Policy to Support Economic Recovery

The president should take care not to confuse changes in economic activity with levels of activity. The economy will recover rapidly in the months before Inauguration Day 2021. The 2016 presidential election saw much
debate over whether 4 percent gross domestic product (GDP) growth was outlandish and impossible. Keeping that in mind, consider that in the third quarter of 2020—July, August, and September—the economy is likely to have grown at an annual rate of more than 30 percent (although precise figures will emerge only after revisions still to come). And the fourth quarter will see double-digit growth.

In part, of course, this will happen because recovery from the pandemic recession will be faster than is typical due to the nature of the downturn. But more important, economic growth will explode in the second half of 2020 because it is being measured relative to the second quarter of 2020, and March and April were colossally awful months for the economy. GDP plunged in the second quarter of 2020 at a 31.7 percent annual rate, the worst quarter since the Great Depression, and by a wide margin.4

Why does this matter? Because it can be simultaneously true that economic growth is exploding and the economy is weaker than it has been since the worst months of the Great Recession. The economy will need significant fiscal-policy support despite rapid rates of growth.

That support should be timely. The need to act urgently is critical to avoid a situation in which the short-term economic damage from the pandemic and the lockdowns creates longer-term, deeper problems. For example, the majority of layoffs so far have been temporary, but if the economy remains weak, then our unemployment problem will become stickier and harder to reverse. The damage to unemployed workers will increase significantly as their skills deteriorate, their professional networks fray, their mental health suffers, and employers become less willing to consider them for jobs due to the length of their unemployment spells.

Similarly, forbearance and anti-eviction measures, along with federal grants to small businesses, have allowed many businesses to avoid paying bills, including rent and mortgages. These policies work in the short term, and a rapid recovery—aided by fiscal policy—would restore economic demand and business revenues to the point that they could resume responsibility for their financial obligations. Without adequate fiscal-policy support, economic recovery will be slower, the medium-term ability of many firms to meet their financial obligations will be in doubt, and massive structural problems in the commercial real estate sector could develop.
Fiscal support should be temporary. On Inauguration Day, the president should proceed under the assumption that the economy will need much less fiscal support in 2022 than in 2021. Spending from a permanent expansion of middle-class entitlement programs would boost the economy over the next year, but it would also threaten long-term prosperity and should be avoided.

Support should be targeted. The goals of economic recovery spending should be to support the productive capacity of the economy and avoid real human suffering. Federal bailouts of large, publicly traded companies should be avoided because they do not advance either goal. The same is true of support for upper-income households.

But avoiding a wave of wasteful small business bankruptcies by replacing a portion of their lost revenue can preserve the productive infrastructure of that sector. Incentives for business investment and entrepreneurship can help the economy not just recover but rebuild. Strengthening the social safety net prevents suffering among low-income households and supports overall economic demand. Federal grants to states and localities support the supply side of the economy by keeping their employees in jobs and support consumer spending by preserving those employment relationships.

Economic recovery programs should be prioritized in 2021 above other policy goals the president may have. Tax increases suppress economic activity and should be avoided in a time of significant economic weakness. Trade wars disrupt supply chains. The economy would recover faster from the pandemic—a large supply-side shock—if they were avoided.

In the policy debate around the shutdowns of 2020, it was common to hear the goal described as a three-part plan: First, freeze the economy in place when the shutdown began. Second, build a bridge across the shutdown by replacing business and household income lost during the shutdown. Third, when it was safe to partially reopen the economy, flip the switch back on, having preserved as much of the pre-pandemic economy as possible.

This is the right way to think about the shutdown. But with the economy partially reopened, the goal should no longer be to preserve things as they were before the pandemic. The goal should be to avoid the wasteful destruction of productive economic infrastructure—for example, the network of relationships built up by small businesses—but that goal has to be
pursued without slowing down the process of workers reallocating across sectors and firms.

Some businesses are finding they can be profitable with a fraction of their pre-pandemic workforce. For example, a restaurant may have found a way to make up a large share of lost table-service revenue with takeout orders. If the restaurant lays off five waiters and adds two cooks, it can make a profit. If it has its pre-pandemic personnel structure, it cannot. The faster businesses figure out how to survive in the new economy, the faster the economy will fully heal. Policy shouldn’t slow that process down by encouraging and incentivizing employers to maintain pre-virus employment levels.

The same dynamic is at play at the industry level. For example, as of mid-September—the time of this writing—there was a devastating 5 percentage-point decline in consumer spending relative to its pre-virus level, up from a catastrophic 19 percentage-point hole in April. But the state of the recovery across industries varies substantially. As of the early fall, personal care, clubs, sports, entertainment, and hotels each had yet to recover to 50 percent of their precrisis level. For the economy to heal, some industries need to expand, and others need to contract. The faster the economy reaches its new equilibrium, the sooner we can get back to broad-based growth.

An important way to speed the adjustment process is to support workers through active labor market policies. One-time reemployment bonuses for unemployed workers can encourage employment while supporting consumer spending. The recovery is likely to be geographically uneven, with some parts of the economy experiencing tight labor markets well before others. Offering long-term unemployed workers assistance to relocate to a stronger local labor market would help the economy recover faster and would help unemployed workers, who are often liquidity constrained, get back on their feet.

How to pay for the trillions of dollars that will be spent on recovery from the pandemic recession? The past several years have witnessed a rethinking among economists about the risks of large deficits and growing debt. As with many economists, the reality that rapid increases in the national debt have not extinguished demand for US government bonds by investors in global capital markets or reversed the four-decade decline in real interest rates has led me to conclude that deficits and debt are less
harmful than I had previously thought. Inflation has also remained low for the past two decades.

This suggests that the deficit spending associated with pandemic response should not raise undue alarm. But that observation is a far cry from an endorsement that the next president abdicate responsibility to address the nation’s long-run fiscal imbalance. Instead, it is an acknowledgment that in the face of the most significant economic threat since the Great Depression, the US has more room to spend what needs to be spent and that dealing with longer-term, structural budget issues can be done after the threat has passed.

But dealing with it is a high priority. And the large amount of money spent on economic recovery does not fundamentally change the nation’s fiscal imbalance or the right way to address that imbalance. Before the pandemic, the nation’s debt-to-GDP ratio was on an unsustainable upward trajectory because of the gap between projected spending on Social Security and Medicare and projected tax revenue. After the pandemic, the same thing is true.

The right way to address this situation is, gradually, to phase in reductions in Social Security and Medicare benefits that over time significantly reduce their spending. The majority of fiscal consolidation should come from spending cuts, but tax revenue should be increased modestly by broadening the tax base or increasing taxes on consumption and pollution.

Low interest rates give the US more room to address the costs of the pandemic. But they are not a blank check. Pandemic spending should be prudent and adequate, not profligate.

**After the Pandemic**

The United States faced serious, long-term economic challenges before the pandemic. Those challenges remain, and the president who takes the oath in 2021 will need to address them. In addition to debt and deficits, discussed above, declining rates of workforce participation, particularly among men, are troubling. Policy should advance economic opportunity to low-income households by increasing earnings subsidies, such as the earned income tax credit. These subsidies lift millions of people—including
several million children—out of poverty each year, and by increasing the financial rewards from working, they increase employment.

Barriers to opportunity in the labor market should be torn down, and additional barriers should not be erected. Occupational licenses are often little more than barriers to entry that protect incumbent workers. And a $15 per hour federal minimum wage would be deeply problematic for the least educated, least experienced, and most vulnerable workers in our society.

The labor market rewards more skills with higher wages, and public policy must discover how to increase worker skills. After decades of disappointing job-training efforts, work-based learning shows promise. It relies on market forces to design curriculum, combining on-the-job training with classroom instruction. More research is needed to determine what approaches are most effective, but these programs hold potential for a more productive, higher-paid workforce.

Another crucial engine of skill formation is schools. The state of many K–12 schools is a national scandal, and the primary and secondary education model, including curriculum, needs to be reassessed with fresh eyes. (Why, for example, is the school year nine months and not 11?) Community colleges could increase skills and educational attainment beyond high school. For many young people, they are a better route to labor market success than traditional, four-year colleges. We need to invest more in community colleges while holding them accountable for outcomes. And as a culture, we need to ditch the “college for all” mentality and encourage a broader range of pathways to opportunity.

The reduction in economic dynamism—in startups, entrepreneurship, and worker fluidity across jobs and industries—is troubling. Corporate rent seeking distracts from productive activity. The United States needs to renew its commitment to market competition—including in the labor market, where noncompete and no-poaching agreements have proliferated.

Lackluster productivity growth is a direct threat to today’s prosperity, as productivity is the primary driver of wages, and to longer-term prosperity, as it governs the evolution of living standards. Increasing workforce participation and improving education and training will boost productivity, as will encouraging economic dynamism and market competition.

Immigration will increase both economic growth and productivity. The United States needs more high-skilled immigrants. The case for admitting
a greater number of lesser-skilled immigrants is less clear-cut, but count me with those who say more would be better. It should go without saying that immigrants to the United States should come legally. It should also go without saying that the nation’s posture toward immigrants should be to welcome them as people beginning their journey to being Americans, with skills, courage, and determination that will benefit the nation. The United States should do everything it can to preserve its place as the destination for many of the world’s most talented, most ambitious, and hardest-working migrants. Losing that would accrue to the nation’s significant detriment.

Finally, to boost productivity, the United States tax code needs a friendlier posture toward saving and investment. And the government should substantially increase grants to scholars for basic scientific research. The US has many of the world’s brightest scientific minds and best universities. Their discoveries will shape our future prosperity.

Needless to say, this is not an exhaustive accounting of the priorities that should define the president’s approach to the economy in the coming years. But these are essential aims—preconditions for recovery and prosperity.

**The Potential and Limits of Presidential Power**

As the next presidential term begins, the president should resist the temptation of thinking he can control the economy. He cannot. The economy is shaped by the decisions that millions of American households, workers, and businesses make each day. It is shaped by world events and powerful, global forces—by migration flows, war and peace, geography, and technology. A microscopic virus just brought the economy to its knees.

But the president can influence the economy, largely by altering incentives. When shaping policy, he should remember that. He should ask himself whether a particular policy change will make it more or less likely that people will go to work and businesses will invest.

The president should also remember the merits of doing big things with bipartisan support. Tax policy and health policy are unstable because each was overhauled in the past decade by one political party, without the support of the other. If both parties have ownership of major changes in public
policy, then those changes are more durable. Businesses can plan better if policy is stable and certain. Bipartisan policy is also often better policy.

And finally, the president should not forget the foundations of prosperity. The post–World War II liberal international order should be strengthened, not weakened. It has been a foundation for transatlantic prosperity. Maintaining the rule of law is crucial for many reasons, including maintaining investor confidence in the United States; securing our nation’s place as a global destination for business and talented, hardworking immigrants; and encouraging the risk-taking that fuels entrepreneurship, dynamism, and productivity growth.

Basic social stability is essential for these purposes as well, and the president should not attempt to divide Americans based on racial or class lines. Particularly given our nation’s tragic history with race, a president who stokes and inflames racial divisions is doing the nation—including the economy—a grave disservice.

The president who takes office in 2021 will commence his term in a moment of economic weakness. But he should not lose sight of the resources our society has at its disposal to not only recover but thrive.
Notes


The next presidential term provides an opportunity to limit the growth of federal debt over the long term and thus reduce the risks it poses to the nation’s future prosperity and global leadership role.

The president who is sworn in on January 20, 2021, does not have to address every facet of the nation’s defective budgeting processes and policies; Congress will necessarily and appropriately act as the primary venue for vetting concepts and reform ideas. In any case, the fiscal challenge is multifaceted and complex, and it will take longer than a four-year presidential term to truly correct the many shortcomings of today’s processes and policies. Nonetheless, only a president can provide the leadership to begin a course correction, and waiting beyond 2021 to get started will make the required adjustments more difficult.

Making this a priority will not be easy. The United States, and indeed the entire world, is focused on the COVID-19 crisis, along with many other pressing matters. Moreover, the US has not at this point fallen into a debt-induced crisis, despite borrowing at historic rates in recent years. In general, elected leaders see questions about deficits and debt as heavy on political pain and light on economic gain.

But there is an opportunity for an ambitious president on this front too. Much of what presidents accomplish can be undone by their successors. Taking on seemingly intractable but important national problems is an important way for presidents to leave lasting legacies. A president acting with foresight and determination could put in place a new fiscal framework for the country that endures for decades beyond the end of his term.

That would be a historic achievement.

Properly framing the problem, and the solution, for the public will be crucial—and will be up to the president in particular. The public must come
to see renewed fiscal restraint as an investment in America’s long-term prosperity, not as a transformation of the nation’s social contract. The first president able to help a sufficient number of voters grasp that there is more risk in inaction than in gradual change will get credit for paving the way for the reforms the country needs.

A World Transformed

The sustained drop in real interest rates during and after the financial crisis of just over a decade ago has led some analysts to argue that rising public debt is less of a threat than previously believed. But while real interest rates have fallen and appear likely to stay depressed in relative terms, the risks from escalating public debt remain real and are rising rapidly.

Responding to the financial crisis of 2007–09 and the current COVID-19 pandemic has forced the United States and many other advanced economies to accumulate debt at rates that were inconceivable during most of the postwar era. In response to the public health crisis, Congress has already approved four bills with combined spending of $3.8 trillion. With the economy reeling from lockdowns and spending flowing freely, federal debt has surged. The Congressional Budget Office (CBO) now expects it to breach 100 percent of gross domestic product (GDP) in 2021 and reach 109 percent of GDP in 2030. In January, before the coming pandemic was visible, the agency forecast debt would reach 180 percent of GDP in 2050. The added borrowing now occurring in 2020 and expected in 2021 could push the cumulative federal debt above 200 percent of GDP by mid-century.

There are many reasons to be concerned that rising public debt will harm the US economy, but two stand out.

First, higher public debt will slow economic growth even if low interest rates forestall a wider crisis. Using limited capital to support more public spending will necessarily come at the expense of investment in private-sector activities, which historically have yielded higher returns. Over time, the effect on overall growth and incomes could be substantial. Kent Smetters, director of the Penn Wharton Budget Model, estimated in 2019 that keeping federal debt around 80 percent of GDP through spending restraint would increase the size of the national economy by 6.1 percent by 2050.
Second, rising debt risks destabilizing the dollar’s position as the world’s reserve currency. Today, US Treasury debt instruments are the most sought-after safe investments in the world because of the perceived stability of the dollar and the presumption that the US government will always have the capacity to meet its obligations to creditors with taxation or monetary flexibility. However, as the US government floods the world with newly issued debt, other currencies are strengthening and may, in time, put a dent in the dollar’s preferred global position. In particular, the euro and a Chinese digital currency could become viable competitors.6

If that were to occur, then interest rates and inflation could rise dramatically. The result could be substantially higher annual costs for servicing the federal government’s ballooning debt. With rising net interest costs, the federal government would have to borrow more or cut back on other priorities to prevent a further rise in debt. The building fiscal pressure could easily spiral into a crisis that precipitates more draconian measures.

The president who begins his term in 2021 should make it a priority to head off such an economic calamity. The only way to do so is to make clear to the world that the United States has a viable plan for getting its fiscal house in order over the coming years and that, once implemented, it will leave the country in a stronger position for continued growth and prosperity in the 21st century.

A Strategic Framework

A president taking on this challenge should develop a strategic framework to guide the national debate. The following are the five most important components of a broad national plan.

Establish Long-Term Debt Control as the Policy Objective. The US does not need a balanced federal budget in five or even 10 years, which is often the stated objective of those concerned about mounting public debt. A near-term focus would entail significant sacrifice by voters and yet not solve the problem, as the gains made today could be lost quickly when restraint is relaxed.
That is what happened when Congress agreed to the Budget Control Act in 2011 and then overrode its restraints on appropriations over several years. Initially, Congress complied with the law’s required cuts in discretionary spending, including in national defense. But in a short time, as the effects of those cuts became more visible, both parties decided to reverse course and support added funding for favored programs. The result was a series of bipartisan deals that green-lighted new spending well above the original targets.

What the country needs instead is a plan to stabilize debt over the long term by addressing the fundamental source of the imbalance, which is that current law provides multi-decade spending commitments for major programs outside the range of achievable levels of taxation. Reform must focus on closing this gap.

The payoff from a successful reform would be substantial, economically and politically. The US has had the world’s most dynamic economy for the past 70 years, making it a highly desirable destination for people and capital looking to boost their incomes and investment returns. Removing the threat of a debt-induced degradation of the US economy would strengthen the perception that America remains well positioned for another long run of growth and dynamic expansion.

The next president, therefore, should push for agreement on a long-term goal for federal debt reduction relative to the size of the national economy. One option would be to target a level of debt held by the public (excluding debt held in federal accounts) that is ambitious but within reach with significant reforms. Before the COVID-19 pandemic, the federal government had outstanding debt equal to about 80 percent of GDP. The economic contraction and new relief bills enacted in 2020 will push expected federal debt up to 104 percent of GDP in 2021 and to at least 180 percent of GDP in 2050 under current law.

Returning to pre-2020 debt levels quickly will not be possible, but a sustainable level is within reach if the right reforms can be enacted soon. In any event, the first step is agreement with Congress on the appropriate long-term target.

Given the country’s deeply polarized politics, finding consensus might seem unlikely, especially in light of the growing strength of movements in both parties that minimize the importance of deficits and debt. Most
voters still care about fiscal responsibility, however, which means their elected representatives are unlikely to be cavalier in dismissing a debate over setting a reasonable long-term goal.10

Redirect the Budget Process Accordingly. Today’s budget process was not built to stabilize long-term debt. It was designed in 1974, when congressional appropriations were still the dominant setting for major spending decisions. But federal spending has been transformed over the past four decades, with entitlement programs now dominating the landscape. The budget process needs to be updated to help policymakers make gradual adjustments in the major spending programs and in taxes, so expected deficits do not balloon beyond the usual 10-year time horizon of today’s process.

Changing the focus should start with the president’s annual budget submission. That budget should be required to cover the next three decades, and, if it projects that policies under current law would lead to debt over the agreed-upon target, it should be required to propose policies to close the gap.

Similarly, the congressional budget process should be refocused on hitting a long-term debt target. The congressional budget resolution should be required to cover three decades as well and preserve its privileged status on the House and Senate floors only if it advances policies to close any gap between current law and the target. Once approved, the policies assumed in the budget resolution could be considered in both the House and Senate under expedited procedures, similar to what is afforded to policies in the current “reconciliation” process.

Further, existing budget procedures could be altered to strengthen the rules blocking debt-increasing legislation. The vote count necessary to approve such bills, especially in the Senate, could increase above today’s supermajority requirement.

Seek Better Performance from Discretionary Spending, but Assume No Savings. The federal government is vast, with a large bureaucracy and scores of activities, and much of it is funded through the annual appropriations process. Unsurprisingly, some of this spending is wasteful and inefficient. Some programs should be terminated altogether because they have weak mandates or usurp roles more properly left to the states or the
private sector. There are certainly possible improvements and efficiencies in the discretionary portion of the budget.

Still, the president should not look to these accounts for achieving significant savings. The effort and political capital involved are not likely worthwhile. For every dollar cut from a discretionary program, Congress would eagerly provide two dollars in spending for other activities enjoying strong bipartisan support. Further, even agencies with poor track records have staunch defenders, so saving small amounts of tax dollars requires immense political effort.

Instead of deep cuts, the president should target better performance in these programs based on objective measures of their intended purposes. Some programs that underperform should be cut, but the savings should be used to increase valuable programs that could deliver even more public benefits if given more resources. The discretionary budget is not what drives our debt problem, though it is what drives some of the federal government’s dysfunction. It is an arena in which to seek greater effectiveness rather than less spending.

**Focus on Large Reforms of the Major Programs.** The heart of the fiscal challenge is the imbalance between the level of taxation that has been politically tolerable at the federal level in the postwar era and the level of spending occurring and expected for the nation’s major social welfare commitments—above all, Social Security, Medicare, and Medicaid.

With an aging population and rising costs for medical care, federal spending on these programs is on course to consume nearly all federal revenue in the coming years, leaving little room for other priorities, including public investments that promote future growth. From 1970 to 2019, average annual federal revenue collection has been equal to 17.7 percent of GDP. The CBO projects that spending on Social Security, Medicare, Medicaid, and other health insurance subsidies by themselves will cost 15.8 percent of GDP in 2050, or just 1.4 percent of GDP less than the long-term average of total federal revenue.

Creating more room for other federal priorities requires both increasing taxes and slowing the growth of the major benefit programs, if for no other reason than political balance. Tax increases will always be controversial. But it will be most difficult to find consensus on the spending side.
One obstacle is poor communication, which leads to public mistrust. Opponents of modifying existing commitments want program beneficiaries to believe that reform will lead to more harm than benefit. But this is the opposite of the truth.

Social Security, Medicare, and Medicaid are the three most important components of the nation’s social welfare protection system. They are all deeply embedded in American life and culture and will remain so indefinitely, no matter who serves as president or in Congress. Reforms to these programs, while necessary, will not change their fundamental characteristics; the programs will look and operate largely as they do today for many decades. Indeed, their costs will continue to increase, in absolute and real terms, even with any of the plausible proposed reforms.

The president serving in 2021 will need to communicate clearly and plainly that reform is about sustaining and improving these programs, not undermining them. Moreover, without reform, the country would face the real risk of a debt crisis, which could lead to draconian cuts and collapsing incomes. It would be far better for all income groups, but especially for households with lower incomes, if the federal government could implement gradual changes that make a crisis much less likely.

There are many imaginable reforms to the major entitlement programs that would improve how they operate over time. But instead of focusing on many small, if worthy, ideas, the president should focus on big reforms that would make a real difference and need sustained advocacy to advance past political opposition. These reforms should reach the following goals.

*Protect Current Beneficiaries.* Even before suggesting specific program adjustments, the president should make it clear that reform will not lower net federal support for current beneficiaries. Many program beneficiaries are retirees who have limited capacity to offset benefit reductions with other income sources. Reducing statutory benefits for them strikes most Americans as unfair.

This constraint is a primary reason why the spending trajectory of these large, complex entitlement programs cannot be lowered quickly. Program adjustments must be phased in slowly, which means the savings will be small initially but build over time.
Progressively Adjust Social Security Benefits. Opposition to entitlement reform centers on protecting vulnerable Americans. The president should preempt attacks on reform by making progressive improvement in Social Security benefits his top priority.

Many elderly Americans with low lifetime wages continue to live in poverty even when drawing Social Security benefits. The president should support increasing benefits for the lowest-wage earners by setting a benefits floor ensuring no one with a certain number of earning years should have a retirement income below the poverty line. This increase in benefits should be tied to another adjustment that lowers the returns provided to the highest-wage workers by decreasing the replacement rate provided for by the top bracket in the benefit formula.

Index Social Security’s Normal Retirement Age to Life Span Improvements. A primary source of budgetary pressure is the population’s demographic transformation. In 2019, persons age 65 and older accounted for 16.1 percent of the population, up from 9.7 percent in 1970. By 2050, the share that is elderly will grow to nearly 21 percent. Social Security’s benefit rules need to be updated to reflect changes that have already occurred and are expected in the coming years. Congress last addressed this question in 1983, when it gradually increased the normal retirement age from 65 to 67.

Retirees are living even longer than what is reflected in this two-year increase. On average, men at age 65 now live 3.8 years longer than they did in 1983. The president should support indexing the retirement age, on a prospective basis, to maintain a steady ratio of retirement to working years across generations. Once in place, this provision would automatically adjust program spending to conform to retired Americans’ actual life spans.

Establish Social Security Personal Accounts. Social Security remains one of the government’s most popular programs because workers perceive that they earn their benefits with contributions. That is true generally, although benefit payments are often only loosely related to contributions because some of the program’s provisions aim at other social goals. Further, because Social Security requires a combined employer-employee contribution rate
of 12.4 percent, many lower-wage workers have difficulty setting aside any additional funds in retirement accounts.

The president should support introducing, on a prospective basis, small personal accounts to boost retirement incomes and improve program solvency. The accounts would be invested in privately managed funds, chosen by workers, with oversight by the Social Security Administration. The assets in the account would partially offset what is owed to the workers by the regular benefit formula, but a portion would add to their total retirement income. Adding 1 percentage point to today’s combined rate of 12.4 percent would increase total program revenue; setting aside 2 percentage points, at workers’ discretion, in personal accounts would allow private-sector returns to work in favor of long-term solvency and lower federal costs.

**Foster Competition in Medicare with Premium Support.** Medicare is a complex program with multiple coverage options. Beneficiaries can choose to stay in the traditional, government-managed fee-for-service (FFS) program or enroll in a privately managed Medicare Advantage (MA) plan. Other beneficiaries are assigned to provider-led managed-care plans, called accountable care organizations.

CBO estimates that overall spending growth would slow if Medicare fostered strong price competition among these coverage options by giving beneficiaries fixed amounts of premium support, as opposed to today’s system that uses a modified bidding system for MA plans and payments in FFS that are not bound by an upper limit on premiums. The beneficiaries would use the fixed level of federal support to offset the costs of their monthly premium payments, so they would have an incentive to choose lower-priced coverage. CBO projects the savings would reach 8 percent of program costs in 2024. Current beneficiaries could be protected from any added premium costs, which would lower savings, or the reform could be phased in slowly to ensure premium changes are less than other increases in retirement support, such as through Social Security inflation increases.

**Require Coordinated Care for Dually Eligible Medicare-Medicaid Beneficiaries.** The poorest elderly are often eligible for both Medicare and Medicaid
coverage. Medicare pays for hospitalization costs, physician care, outpatient prescription drugs, and other services typically associated with health insurance. For the dually eligible, Medicaid pays for expenses not covered by Medicare, which often means long-term services and support. In some cases, that can mean nursing home costs; often it means social support provided in the home or a community-based setting.

Too often, the benefits provided through Medicare and Medicaid are not coordinated. The result is fragmented care and often poor outcomes for the frail elderly. The lack of efficient provision of services can also lead to higher costs, especially when beneficiaries require hospitalization that might have been avoided with better preventive services.

The president should push for mandatory coordination of benefits for the dually eligible population. The cost of caring for these beneficiaries would be lower if they were enrolled in effective managed-care arrangements that minimize the need for expensive hospital and nursing home stays.

Compromise. The nation’s budgetary challenges are so extensive that it is unlikely one party can tackle them on its own. The political vulnerability from doing so would be too great. While securing bipartisan legislation for such reforms seems fanciful in the current environment, that need not be a permanent state of affairs. One reason the nation is suffering from excessive polarization and stalemate is that political leaders have forgotten the art of compromise.

The president needs to lead the way in this regard by setting the right tone and inviting his political opponents to negotiate fiscal matters. He needs to keep his focus on the main objective, which is getting the federal government to set a fiscal target tied to a sustainable level of public debt. Once that is in place, the parties can then debate how best to achieve it.

The president, no matter his preferences, must help foster an atmosphere conducive to compromise by announcing he is open to both tax increases and program reforms. The budgetary math points in this direction anyway, and it is counterproductive to pretend otherwise. Setting these expectations at the outset will immediately signal that this process will conclude only if both parties are invested in it.
Taking Responsibility

The president who takes the oath of office on January 20, 2021, will need to focus much of his attention on the ongoing national response to the COVID-19 crisis. The health and economic toll has been significant, and recovery will require substantial federal borrowing for years to come.

But that does not mean the president cannot also pursue a change in direction for the nation’s long-term fiscal policy. Indeed, the COVID-19 crisis has made it even more important to implement a plan relatively soon that begins to narrow the gap between projected federal revenue and spending in 20 and 30 years.

The American political process, by design, is not adept at focusing on long-term challenges. The constitutionally mandated election cycles put a premium on delivering results in two- to six-year time frames. This is a weakness that has increasingly plagued the nation’s fiscal stewardship over the past half century. Federal laws make commitments that last for decades, yet the planning horizon for the budget is at best 10 years.

The president needs to help the country fight through the institutional obstacles to a sustainable fiscal posture. The starting point is putting into federal law a new sustainable debt target with a period of 30 years to reach and sustain it. The budget process needs to be redirected to advancing this objective, and then the president needs to put on the table for consideration big reforms that would go a long way toward achieving it.

There is no guarantee, of course, that embarking on such a politically fraught endeavor would produce a satisfactory result. What is certain is that declining to try means the president’s successor would face an even greater risk of presiding over a debt-induced crisis.
Notes


Rethink Tax Policy to Address the Long-Term Fiscal Imbalance

ALAN D. VIARD

The United States faced a large long-term fiscal imbalance even before the coronavirus pandemic, and the pandemic has made the problem worse. The projected debt buildup threatens long-run economic growth and will burden future generations. Looking ahead to the 2020s, it is no longer possible to avoid the need for a new revenue source. A value-added tax (VAT) is an essential component of a well-designed response to the fiscal challenge.

Any case for the VAT must acknowledge upfront the most significant challenge to its enactment: It would raise taxes on the middle class. Two other policy approaches, tax increases on those with the highest incomes and targeted cuts in entitlement benefits, may appear to allow the fiscal imbalance to be addressed without raising middle-class taxes. But although each option may play a role, their serious limitations prevent them from fully addressing the imbalance. Tax increases on the highest-income households would induce economic distortions that would threaten long-run growth. Entitlement cuts would be severely regressive, imposing much heavier burdens (relative to income) on lower-income households than on higher-income households. Moreover, tax increases on the highest incomes would have limited revenue potential, and significant entitlement cuts would face their own formidable political challenges.

The United States should therefore follow the lead of 160 other countries by adopting a national VAT, which is a consumption tax economically similar to a retail sales tax. The VAT would avoid most of the economic distortions of high-income tax increases, although it would not be as efficient as entitlement cuts. The VAT would also be far less regressive than entitlement cuts would be, although it would not match the progressivity
of high-income tax increases. It can therefore be viewed as occupying a middle ground between those two alternatives. Although the VAT may not be anyone’s first choice, it could be many people’s second choice, as is often true for sensible policy outcomes.

Because budgetary arithmetic makes it likely that a VAT will eventually be adopted, the real question may simply be when to adopt it. We should seek to act sooner rather than later to limit the debt buildup and ease the fiscal burden on future generations.

Confronting the Fiscal Imbalance

In June 2019, long before the pandemic was upon us, the Congressional Budget Office (CBO) projected that the federal government’s debt would rise from 78 percent of annual gross domestic product (GDP) in 2019 to 144 percent in 2049 absent legislative changes. Debt would rise over time as population aging and rising health care costs caused spending on Social Security and health care programs to grow more rapidly than revenue would grow.¹

The fiscal imbalance has further widened during the recession accompanying the coronavirus pandemic. The recession has eroded tax revenue, and Congress has adopted large spending increases and tax cuts to provide income support and economic stimulus. In September 2020, CBO projected that the debt would grow to 195 percent of annual GDP in 2050.² The congressional actions to respond to the pandemic were likely necessary, but their costs will have to be addressed.

The CBO has offered a forceful warning about the risks posed by the relentless rise in federal debt. Higher debt would reduce long-run economic growth by crowding out private investment, and it would push up interest payments to foreigners. It would also increase the risk of a crisis in which investors lost confidence in the US government and demanded higher interest rates to hold its debt. Furthermore, higher debt might lead to higher inflation expectations and could reduce Congress’ and the president’s flexibility to respond to unforeseen events.³

The steps needed to address the fiscal imbalance will become more onerous if action is delayed. CBO estimates that holding the 2050 debt to
its 2019 share of GDP would require permanent tax increases or spending cuts equal to 3.6 percent of GDP if they took effect in 2025 but that the required magnitude would rise to 4.4 percent of GDP if action were delayed just to 2030 and to 5.9 percent if action were delayed to 2035.\(^4\)

A VAT would have little appeal if there were a good way to address the fiscal imbalance without raising middle-class taxes. Unfortunately, the options that avoid middle-class tax increases have limitations that preclude them from providing a full solution.

Little progress can be made by cutting spending on programs other than Social Security and the major health care entitlement programs (Medicare, Medicaid, and the health insurance subsidies created by the Affordable Care Act). CBO projects that other noninterest spending, which includes national defense, other annually appropriated spending, and the smaller entitlement programs, will actually shrink from 9.0 percent of GDP in 2019 to 7.6 percent in 2050 under current law, leaving limited space for additional reductions.\(^5\)

But what about raising taxes on high-income households? And what about cutting Social Security and the major health care entitlement programs?

In the past few years, Democrats have amplified their calls for high-income tax increases. Democratic presidential nominee Joe Biden has proposed raising ordinary income tax rates, capital gains taxes, and payroll taxes for high-income households and increasing the corporate income tax and the estate and gift tax. Other Democrats have proposed a new annual tax on wealth.

High-income tax increases place fiscal burdens on those with the greatest ability to pay and reduce economic inequality. However, such tax increases would induce economic distortions and threaten to impede the economy’s long-run growth.

The individual income tax penalizes saving for future consumption by taxing the returns to such savings. Estate and gift taxes and annual wealth taxes have similar effects. The corporate income tax penalizes businesses that operate in corporate form rather than as partnerships and penalizes corporations that finance investment with equity rather than debt.

In the broader context of the global economy, America’s corporate income tax also penalizes corporations that invest and book profits in the United States and operate with a US corporate charter. The income tax
system also includes provisions that encourage increased investment in owner-occupied housing and increased consumption of medical care. All these distortions become larger as tax rates increase.

Even if the advantages of higher taxes on the wealthiest are viewed as outweighing their economic distortions, such tax increases have limited revenue potential. Well before the pandemic, commentators who supported high-income tax increases recognized that they would not raise enough revenue to fully address the fiscal imbalance and would have to be accompanied by other measures.\(^6\)

So what about entitlement cuts? The CBO projects that spending on Social Security and the major health care entitlement programs will surge from 10.2 percent of GDP in 2019 to 15.5 percent in 2050 under current law.\(^7\) Restraining these programs’ rapid growth could significantly narrow the fiscal imbalance. Also, most entitlement cuts would avoid the distortions that would be induced by high-income tax increases. Indeed, scaling back entitlement programs could reduce the distortions built into these programs, such as incentives for early retirement and increased consumption of medical care. Furthermore, reducing benefits for some future retirees might encourage some workers to save more. Entitlement cuts would therefore likely promote long-run economic growth.

At the same time, however, entitlement cuts would be severely regressive. Because only households with moderate incomes are eligible for Medicaid and health insurance subsidies, cuts in those programs would fall exclusively on those households. Social Security and Medicare cuts might burden all income levels, but lower-income households would bear much heavier burdens, relative to income, than higher-income households would.\(^8\) For example, a recent analysis found that across-the-board Social Security benefit cuts would impose burdens on households in the bottom 20 percent of the income distribution approximately 100 times larger, as a share of income, than the burdens on households in the top 1 percent.\(^9\) Deep entitlement cuts could also impede some households’ access to health care and erode other social protections.

Moreover, significant entitlement cuts would face formidable political obstacles. Democrats, who have long opposed Social Security and Medicare cuts, are now proposing to increase Social Security benefits and expand the federal role in paying for health care. Although Republicans have
sometimes advocated entitlement cuts in the abstract, they have generally shied away from proposing significant specific cuts. Indeed, Republicans have sometimes accused Democrats of supporting entitlement cuts and claimed that the GOP would block such cuts. More recently, Donald Trump vowed not to cut Social Security, Medicare, and Medicaid. With each party pledging to prevent the other from cutting entitlements, it seems unlikely that entitlement cuts sufficient to address the fiscal imbalance will be adopted.

Therefore, although higher taxes on the wealthiest and entitlement cuts may play a role in rebalancing federal finances, their limitations prevent them from offering a full solution to the fiscal imbalance. It is necessary to find a strategy that avoids the serious economic distortions of high-income tax increases and the severe regressivity of entitlement cuts. Any such strategy will involve tax increases on the broad middle class. Although it would be possible to raise payroll taxes or increase income taxes on middle-class households, the VAT is preferable because it is less regressive than the payroll tax and avoids many of the income tax’s distortions.

**Understanding the VAT**

German businessman Wilhelm von Siemens and American economist Thomas S. Adams developed the VAT in the early 20th century. France adopted the first VAT in 1954. Many countries in Europe and Latin America adopted VATs in the 1960s and 1970s, and many others followed in subsequent decades. The European Union, the International Monetary Fund, and the World Bank have promoted the VAT.

As of November 1, 2018, the VAT was in place in 168 countries and territories, including every Organisation for Economic Co-operation and Development (OECD) country other than the United States. As of January 1, 2019, the 35 OECD VATs had tax rates ranging from 5 percent to 27 percent, with an average of 19.3 percent. Most countries with VATs also have individual and corporate income taxes.

The VAT is a consumption tax similar to a retail sales tax but is collected in a different manner. A simple example can illustrate the VAT’s relationship to the more familiar retail sales tax. Consider an economy
with three businesses: a manufacturer, a wholesaler, and a retailer. The manufacturer makes no purchases from the other businesses and sells its output for $500 to a wholesaler. The wholesaler sells its output for $800 to a retailer, who sells a final product to consumers for $1,000. Of the $1,000 value of the final product, $500 is added at the manufacturing stage, $300 at the wholesale stage, and $200 at the retail stage.

A retail sales tax applies to the $1,000 of final sales to consumers, and the retailer remits the entire tax. At a 10 percent rate, the tax is $100.

Under a 10 percent credit-invoice VAT, the government collects the same $100, but a portion of the tax is collected at each stage of production. The manufacturer charges the wholesaler $550, the $500 before-tax price plus $50 tax, and remits the $50 to the government. The wholesaler charges the retailer $880, the $800 before-tax price plus $80 tax. However, the wholesaler remits only $30 to the government because it receives credit for the $50 tax that it was charged on its purchase from the manufacturer (as shown on the purchase invoice). The retailer charges the consumer $1,100, the $1,000 before-tax price plus $100 tax. However, the retailer remits only $20 tax to the government because it receives credit for the $80 tax that it was charged by the wholesaler. In the end, the government collects $100 of revenue, with the manufacturer remitting $50, the wholesaler $30, and the retailer $20. At each stage, tax equal to 10 percent of value added is remitted. The multistage collection makes the tax easier to enforce than the sales tax, under which the entire $100 revenue is lost if the retailer conceals the sale.

To ensure that the VAT is visible to taxpayers, the full tax charged to the consumer should be listed as a separate item on customer receipts, as is normally done for state and local retail sales taxes. Under that arrangement, the VAT would likely be at least as transparent as employee payroll taxes and individual income tax withholding, which are displayed as line items on paycheck stubs. The VAT would be far more transparent than corporate income taxes and employer payroll taxes.

Any VAT legislation would need to address various design issues, including the transition and the treatment of the financial sector, housing, nonprofit institutions, and state and local governments. Although these issues are not discussed here, solutions are readily available from other countries’ VAT experiences.
The VAT has strong efficiency advantages over tax increases on those with higher incomes. Like other consumption taxes, the VAT does not penalize saving. Those who consume today and those who save to consume tomorrow both pay the same tax rate on their consumption when it occurs. Unlike the corporate income tax, the VAT does not distinguish between partnerships and corporations or between debt and equity. The VAT, which applies to consumption of both domestic and imported goods, is also neutral in the global economy. It does not penalize investing or booking profits in the United States or operating with a US corporate charter.

Although a textbook VAT would be neutral among different consumer products, most countries’ VATs offer zero or preferential rates for some products, such as food, housing, and medical care, and have special provisions for small businesses. An American VAT would likely include similar provisions. Such features would not detract much from the VAT’s efficiency advantage, though, because the income tax system also offers preferences for small businesses, medical care, and owner-occupied housing.

The VAT is also far less regressive than entitlement cuts are. The Urban-Brookings Tax Policy Center (TPC) has estimated that a 5 percent broad-based VAT would reduce after-tax income by 3.9 percent for households in the bottom 20 percent of the income distribution, 3.6 percent for households in the middle 20 percent, and 2.5 percent for households in the top 1 percent.¹⁵ Burdens, relative to income, would be only modestly higher on lower-income households rather than vastly higher as under entitlement cuts.

It is easy to overlook the dramatic distributional difference between a VAT and entitlement cuts due to an inconsistent treatment of taxes and spending. It is well understood that a tax is regressive if it imposes larger burdens relative to income on lower-income households. However, some commentators mistakenly view a spending cut as regressive only if it imposes larger dollar burdens on lower-income households.¹⁶

Moreover, a VAT would undoubtedly be accompanied by rebates to offset the burden on low-income households. TPC estimated that a 7.7 percent VAT with rebates (which would raise the same revenue as a 5 percent VAT without rebates) would generally be progressive. It would reduce after-tax income by 0.6 percent for the bottom 20 percent, 2.9 percent for the middle 20 percent, and 3.6 percent for the top 1 percent. Furthermore,
the VAT would be only one component of the federal tax system. The individual and corporate income taxes would continue to add progressivity to the overall tax system.

Like every tax and spending policy, the VAT has some drawbacks, of course. Although the VAT is more economically efficient than tax increases on higher-income households, it is not as efficient as entitlement cuts. Although the VAT is far less regressive than entitlement cuts, it cannot (even with rebates) match the strong progressivity of tax increases on the wealthy. The VAT in this sense occupies a middle ground between the two approaches to deficit reduction generally preferred by the right and left. As a result, the VAT is more likely to be adopted as part of a bipartisan compromise than by either party alone.

Harvard University economist Lawrence Summers famously said that conservatives oppose the VAT because they think it is a money machine that could fuel government growth and liberals oppose the VAT because they think it is regressive. That suggests, he joked, it could be adopted if liberals decided it was a money machine and conservatives decided it was regressive.17

In isolation, a VAT is clearly unpopular. On April 15, 2010, the Senate voted 85–13 to adopt a nonbinding resolution condemning the VAT. History suggests, however, that this resolution offers little guidance about the VAT’s prospects. For example, the Senate voted 98–0 on July 14, 1981, to adopt a nonbinding resolution stating that Social Security benefits should not be subject to income taxes, but partial income taxation of benefits was included in the bipartisan Social Security reform package adopted in April 1983. Overwhelming support for symbolic resolutions that condemn measures in isolation need not preclude their subsequent inclusion in a bipartisan compromise.

Several VAT proposals have entered the policy debate. Bill Gale of the Brookings Institution has proposed a 10 percent VAT as part of a comprehensive deficit-reduction plan. He estimates that the tax would have a net budgetary yield of 2.6 percent of GDP, after providing generous rebates to offset the burden on lower-income households and adjusting certain entitlement benefits.18 Michael Graetz of Columbia Law School has proposed a 12.9 percent VAT as part of a deficit-neutral tax reform plan.19 Sen. Ben Cardin (D-MD) introduced bills in 2014 and 2016 calling for a 10 percent
VAT, and Rep. Jim Renacci (R-OH) introduced a bill in 2016 calling for a 7 percent VAT. All these proposals include rebates or expanded tax credits to offset the burden on lower-income households.

The Way Forward

In view of the budgetary situation, it is likely that a VAT will eventually be enacted to address the fiscal imbalance. The real issue may not be whether to adopt a VAT but when to do so.

Earlier adoption would allow government debt to stabilize at a lower level, which would promote long-run economic growth. Earlier adoption would also reduce the necessary tax rate, as there would be less debt to service. Quicker enactment would also allow the tax to be phased in gradually.

To be sure, early adoption of a VAT would diminish the pressure to address the fiscal imbalance through other means. With the VAT in place, there would be less pressure for tax increases on higher-income people and for entitlement cuts. Strong supporters of those options may want to delay or head off the VAT to ensure maximum scope for their preferred approaches. They should consider the limits of those options, however, and weigh any possible gains against the costs of delay.

When addressing the fiscal imbalance, time is not on our side. To strengthen the economy and ease the fiscal burden on future generations, we should adopt a VAT sooner rather than later. The president who takes office in 2021 should support it.
Notes


8. Social Security and Medicare means tests that reduce benefits as income rose would be less regressive, but means tests would induce economic distortions by discouraging recipients from increasing their incomes through work and saving. They would also not achieve large budgetary reductions.


11. In addition to taxing wages as they are consumed, the value-added tax (VAT) taxes consumption out of wealth held when the tax is introduced. The latter feature is a progressive component that is absent from the payroll tax, which applies only to wages.


Humankind’s greatest creation has always been its cities,” writes urban theorist Joel Kotkin. “They represent the ultimate handiwork of our imagination as a species, testifying to our ability to reshape the natural environment in the most profound and lasting ways.” Kotkin chronicles the rise and fall of cities throughout history and across the globe, probing for answers to the question, “What makes cities great, and what leads to their gradual demise?” He lands on three factors essential to every healthy, growing city:

- the sacredness of place,
- the ability to provide security and project power,
- and last, the animating role of commerce.

Where these factors are present, urban culture flourishes. When these elements weaken, cities dissipate and eventually recede out of history.¹

The president who begins his term in 2021 should take the vitality of American cities seriously. Their success has a lot to do with the success of the country as a whole, economically and culturally. It is easy to take our cities for granted, but as Kotkin notes, urban dissipation is always a possibility. In fact, even before the pandemic and our recent season of urban unrest, some American cities have been in decline, while others have ascended. Understanding how to prevent the former and encourage the latter should be one goal of the next administration.

Kotkin’s description of urban distinctiveness is reminiscent of Lewis Mumford’s observation in his classic City in History: Its Origins, Its Transformation, and Its Prospects that, from its earliest days, the city was always a blend of power and sacredness, which the increasing commerce and
capital of the modern era greatly amplified. Cities are where we focus our awe, power, and prosperity. Cities of different shapes and sizes share the common elements of power, progress, culture, and commerce, without which entire societies would not advance as they do.

Dynamism has always been central to their rise. In one sense and in keeping with the Greek notion of *dunamis*, they are alive. Physicist Geoffrey West has even discovered that the same mathematical equations of scale in the biological world apply to urban areas.

Cities have an organic quality. They evolve physically and grow out of interactions between people. The great metropolises of the world facilitate human interaction, creating the indefinable buzz and soul that is the wellspring of its innovation and excitement and a major contributor to its resilience and success, economically and socially.

Dynamism is essential for cities; creators, differentiators, makers, builders, entertainers, and contrarians have always been at home in the city. Cities have historically attracted people who appreciate variety and actively seek it. As globalization of an earlier kind defined 18th-century British commercial culture, Scottish philosopher David Hume noted that many people “flock into cities; love to receive and communicate knowledge. . . . Curiosity allures the wise; vanity the foolish; and pleasure both. Particular clubs and societies are everywhere formed.” In addition, Hume and other British writers noted that commercial dynamism increased low-income people’s wages, which was good for society as a whole. Dynamism was not just for the elite and powerful. It was for everyone.

But the strength of cities can become their undoing. They die when anti-dynamic forces gain too strong a foothold. Sometimes these forces stem from the complacent dependence on a few core companies and sometimes on the protecive motives of cronymism and exclusivity. These forces lead to a kind of stasis that is unwelcome to the rough-and-tumble variety of urban life. In our day, widespread NIMBYism in the name of sustainability, heavy-handed regulatory power aimed at supporting special interests, and rigid barriers to market access and activity are all anti-dynamic forces with which we need to reckon.
Today’s urban unrest has made this stasis both easier and harder to see. While activists and the media have largely focused on the immediate sources of unrest during our season of racial discord and an unrelenting pandemic, the underlying problems of the urban ruling class have been in plain view for some time. Our current situation echoes Edward Banfield’s observation a half century ago in *The Unheavenly City: The Nature and Future of Our Urban Crisis* that amid racial unrest and decaying neighborhoods, the ascendancy of the middle and upper middle classes has increased feelings of guilt at “social failures.” … In the upper-middle-class view it is always society that is to blame. Society, according to this view, could solve all problems if it only tried hard enough; that a problem continues to exist is therefore proof positive of its guilt.5

Today’s urban overlords too often cast the blame for inequality and racism on larger forces occurring in the country as a whole while evading responsibility for the stasis they have created and maintained.

Cities are not ideological battlefields, nor should they be the seats of class-based segregation. They should be dynamic centers of creation and opportunity for all levels of society if they are to continue to thrive, and they need leadership that understands this.

Overcoming the stasis of elite interests and reinvigorating dynamic activity should be the goal of not only today’s urban leaders but also policymakers at all levels of government. The president who takes office in January 2021 must grasp that—even if suburban and rural America are more often the swing votes in our politics—cities will continue to play an outsized role in America’s economic and cultural life, even after the pandemic. Our leaders should therefore aim to have as many cities as possible in America functioning dynamically for the good of all people across all income, racial, and age groups. Our entire society would benefit from cities geared to enabling people to flourish.
Why Cities Matter

So much of our politics today is defined by the “urban-rural divide” and a populism whose antipathy toward “coastal elites” is typically understood as anti-urban. Defending cities at a time like this may be unpopular (or at least anti-populist), but there is no escaping that cities matter a great deal to America’s continued economic and social well-being. Besides, many of the nation’s fastest-growing cities are not coastal but rather inland powerhouses such as Denver, Colorado; Charlotte, North Carolina; and Texas’ five largest metro areas, all of which are among the nation’s 15 fastest-growing cities over the past 10 years.6

Which cities will be most dominant economically, culturally, and politically 25 years from now may not be certain, but that cities will continue their dominance seems quite certain. Just as prognosticators’ visions of a decentralizing society in the early days of the internet turned out to be exactly the opposite of what happened over the past 25 years, today’s predictions of post-COVID-19 decentralization are likely to prove misguided. The forces of attraction that metro areas possess are just too strong.

One 2019 analysis found that just 31 counties, or 1 percent of all US counties, account for nearly one-third of the country’s gross domestic product (GDP). These same counties have 22 percent of America’s population and 26 percent of the employed workforce.7 Another 2019 analysis found that real GDP increased from the previous year in 96 percent of large US counties with populations greater than 500,000 and 93 percent in counties with more than 100,000, but it increased only 72 percent in counties with fewer than 100,000 residents. (These smaller counties are 83 percent of all US counties.)8

These population centers drive much of the innovation for which America’s economy is known. The top 100 largest metro areas are home to about 60 percent of the population but 92 percent of patents filed.9 The share of inventions in urban areas has been growing and will not reverse anytime soon.

This increasing concentration of talent and productivity is often called “urbanization” but might more aptly, if clunkily, be called “metropolitanization.” Metropolitan areas have grown stronger and more dominant over time as innovation- and knowledge-based enterprises flourish in
places where talent clusters. Not all knowledge workers flock into central cities. Many prefer low-density living even as they benefit from their proximity to the city.\textsuperscript{10} There is little evidence that these trends toward metropolitan concentration will change course anytime soon, and even if the pandemic pushes people out of cities for a time, they most likely will only change addresses within the same metro area.

**Competitive Federalism and Migration**

One way to understand dynamic cities is to look at the winners and losers in the game of “competitive federalism” that is America. Unlike Europe, where picking up and leaving your stagnating town for a more opportunity-rich city is limited by language and cultural barriers, America benefits from a common language and similar vocational norms and institutions. This enables cities to compete for residents of other urban areas who are tiring of high costs, dysfunctional institutions, and other anti-dynamic forces. It may be a jolt for a New Yorker to move to Houston, Texas, but that is nothing like moving from Rome, Italy, to Frankfurt, Germany.

Some analyses of cities focus on their market-sector dominance, innovation concentration, and cultural influence, which are all important, but their relative competitiveness as destinations is also an important gauge of their strength. Competitiveness is a blend of quality of life, cost of living, and what we might call “opportunity culture,” or the vocational variety available to people with certain skills and aspirations.

Cities are where people move and cluster to pursue the American dream, however they define it. Urban policymakers can learn something about what aspirational people want by looking at where they are moving. In particular, two themes emerge.

First, Americans want to live in and around cities but not necessarily the famous top-tier ones. More Americans live in metro areas now than in the past, but they have been leaving the behemoths such as New York and Los Angeles for a while. The five fastest-growing large cities over the past decade, measured by the percentage of population gain, are Seattle, Washington; Fort Worth, Texas; Austin, Texas; Denver; and Charlotte.\textsuperscript{11} In raw numbers, over the past decade, San Antonio, Texas, added more residents
than Los Angeles did, and Fort Worth added more than New York City did. When Americans are looking for urban advantages, they gravitate toward cities that offer opportunity but that are more affordable, are less congested, and have newer infrastructure.

Migrants to these opportunity cities originate from outlying nearby counties as much as (or more than) from big cities in other states. In other words, people are fleeing both overly costly large metro areas and stagnating smaller places. For instance, among the top 10 counties people left to move to Denver between 2013 and 2017, six are outlying Colorado counties. Non-Colorado counties include Los Angeles and Cook County (Chicago). Seven of Austin migrants’ top points of origin are other Texas counties, while non-Texas origins include Los Angeles and Santa Clara County in California.

Contrary to conventional wisdom, young professionals share the preference for “opportunity cities” over “sexy cities.” New York and San Francisco have been losing those age 25 to 39 for a while, as millennials have chosen instead to head for Seattle, Denver, Austin, San Antonio, Charlotte, Houston, and Nashville, Tennessee. This aspirational demographic is an important bellwether for urban success because it signals what people willing to move at the most crucial part of their early careers really want.

The second theme is that a preference for less-dense communities is hardwired into Americans’ collective DNA, even as they seek out urban lifestyles. “Judging from the direction that American urbanism has taken during the second half of the twentieth century,” writes Witold Rybczynski, “one answer of the marketplace is unequivocal—Americans want to live in cities that are spread out.” He continues,

This is not simply suburbanization. All the cities that have experienced vigorous population growth during the second half of the twentieth century—Houston, Phoenix, Dallas, San Jose, Atlanta—have grown by spreading out. These are horizontal cities, with generally low population densities, typically less than ten people per acre, compared to fifteen to twenty people per acre in the older, vertical cities.

For those who would prefer to move if given the chance, the desire for lower density is nearly universal. Recent American Enterprise Institute
survey data show that only 23 percent of city dwellers would prefer to live in the suburbs, and another 23 percent would prefer a small town. Meanwhile, 22 percent of suburbanites would prefer to live in a small town, and 24 percent of small towners would prefer to live in a rural area.\textsuperscript{15} Suburban, small town, and rural preference to move into the city is in the low single digits.

And yet even as Americans prefer their space, they also prefer to live amid a blend of urban amenities. AEI’s survey finds that Americans associate parks, stores, restaurants, libraries, and gyms with successful neighborhoods. People want to be close to as many of these amenities as possible, whether they are in the city or a suburb.\textsuperscript{16}

In addition, even though the rate of population growth in suburban counties outpaces central urban counties,\textsuperscript{17} a recent Brookings Institution study found that downtowns are booming once again, evidence that an important subpopulation does want the benefits of a dense urban lifestyle.\textsuperscript{18} When people “flock to cities” in America today, they are a mix of urban and suburban dwellers who want a variety of lifestyle options. But they are united in their desire to be part of something more dynamic than where they left.

\textbf{Stasis, Anti-Dynamism, and Lost Opportunity}

Despite the enormous contribution of America’s dynamic urban areas to the country as a whole, they are also a source of great unrest and stasis. The unrest, recently expressed in protests following the police killing of George Floyd, has roots in the growing geographic and class segregation in our cities. The stasis is manifest in NIMBY resistance to adapt neighborhoods to current socioeconomic reality, the self-dealing of educational establishments, and a command-and-control approach to public safety. When looking to blame someone for the unrest, urban elites and the media often focus on ideological targets in our “national conversations,” such as racism, but much unrest stems from inequities created much closer to home.

The concentration of poverty in urban areas and growing inequality are the result of regional and local dynamics. According to a recent study by the New York Federal Reserve, a list of the 15 most unequal metropolitan areas in 1980 would not have included New York, San Francisco, Los Angeles, San
Jose, or Washington, DC. Today, all are high on that list. In 1980, six of the 15 most unequal metro areas were smaller ones in the South, and only two on the list—Orlando, Florida, and New Orleans, Louisiana—were major metro areas with more than one million residents. Today, the top 15 most unequal cities are dominated by major metro areas and do not include any southern cities.  

Moreover, every one of the 15 cities today has an inequality ratio greater than the most unequal metro area in 1980. A similar Brookings study found that the 10 most unequal metro areas in the country are dominated by major metro areas, while the least unequal are predominantly midsize and smaller metro areas such as Grand Rapids, Michigan, and Colorado Springs, Colorado. A recent Economic Innovation Group study found that poor people today likely live in neighborhoods where the poverty rate exceeds 30 percent, compared to 10 percent in 1980. These bastions of inequality have in common an infusion of wealth and local leaders’ decisions to limit housing supply and meaningful educational and vocational options for lower-income people.

Inequality measures would not be such terrible news if the relative mobility prospects of lower-income people were good in the end. The more troubling reality those measures indicate, though, is the segregation of too many lower-income people from opportunity, good jobs, and pathways upward. Today’s urban reformers can address these problems by taking seriously the barriers to opportunity reflected in high housing costs, the mismatch between educational institutions and opportunity, and the absurd pile of barriers that keep lower-income people from good jobs.

The past decade has witnessed a growing consensus that, first, expensive housing in growing and larger cities is a barrier to too many workers who would otherwise benefit from living there. Second, it is driven largely by land-use, zoning, and related restrictions. This has been a welcome turn from previous decades during which policymakers primarily focused on subsidies as the means to address unaffordable housing.

These limits and restrictions also have a profound broader economic effect. Chang-Tai Hsieh and Enrico Moretti found that less regulation in New York, San Jose, and San Francisco alone, not to mention other cities, would increase national GDP by nearly 10 percent. They also found
that the vast majority of America’s aggregate GDP growth over the past half century came from cities with lower levels of regulations.\textsuperscript{22}

Metro areas wrestle with the tension between the seemingly hard-wired American desire for less density and the need to increase housing supply to keep homes affordable. But too many have sacrificed the latter for the former.

Another anti-dynamic force is the interest-driven, hoary human capital complex originally created to help underserved people. Our federal workforce development programs and social welfare programs include too many outdated and incongruent requirements that disincentivize mobility, both geographically and economically.

Contributing to the anti-dynamism of many cities is the bureaucratization of common life. For instance, skills that used to be validated purely by the market—such as whether someone cuts hair or decorates living rooms to a paying customer’s satisfaction—now require government certification and accompanying costs. To require a license for services that pose no obvious health or safety threat is one of the grave injustices of our time that tramples on grassroots entrepreneurs’ aspirations.

When the forces of urbanization, which are largely good for society, combine with the anti-dynamic forces of interest and cronyism, we end up in a place where those within the city walls are flourishing and those without are languishing. The project of the next generation of urban reformers is to bring down those walls and pave new roads into the city.

**A New Urban Agenda**

The president of the United States should resist any temptation to treat cities as ideological battlefields in the culture wars or outposts of federal agencies. Rather, he should stand ready to encourage and assist urban reformers where he can. This requires not a single strategy or approach but a general attitude of deference that federalism entails and a healthy level of comfort with different solutions for different types of problems.

The problem with urban policymaking is that it does not lend itself to a singular overarching policy balm. Bringing down the obstacles to opportunity requires a lot of blocking and tackling, localized policy innovation, and
nothing that sounds sexy. But that does not make it unimportant. What follows are some areas in which policy entrepreneurs can roll up their sleeves and get to work.

**Take Place Seriously.** Place matters. The sacredness of the city and the community is real, even in its post-religious sense. The *AEI Survey on Community and Society* finds that Americans on average derive a stronger sense of identity from their neighborhood and city than from their political ideology or race and ethnicity.23 Where we are from is a big part of who we are.

One implication of this is that neighborhoods rather than housing should be the focus of urban development. Cities need affordable neighborhoods, not just affordable housing, if they care about all their residents flourishing.

As AEI survey data on community amenities show, well-rounded neighborhoods produce the positive effects associated with a strong civil society: neighborliness, mutual aid, social stability, and even happiness.24 Jane Jacobs’ insight that communities are stronger when their essential components hang together instead of being strung across disconnected landscapes bears out in the data, as does Richard John Neuhaus and Peter Berger’s understanding of neighborhoods as essential mediating structures in democratic society.25

This suggests that neighborhood revitalization plans include public spaces, grocery and retail access, and other important amenities such as libraries (which, even in our digital age, residents rate highly as essential neighborhood institutions). A district-based approach allows an urban area to balance the basic American desire for both city living and low density. Some areas should be denser. Others should be less so. A successful metro area needs both, and it needs residents of both to have access to amenities that define vibrancy for many Americans.

**Address the Affordability Conundrum.** Over time, lower-income workers have become the least geographically mobile population in the country. The reasons for this are complex and not fully understood, though housing unaffordability is clearly a factor. The time is ripe for a national reform movement, city by city and state by state, similar to the adoption of school reforms.
Numerous reform models are emerging. San Diego, California, recently adopted a wide range of code amendments to improve permitting and create greater flexibility on various lot, mitigation, and usage requirements. The city also enacted a range of incentives to encourage greater density where possible without mandates and made it easier to construct accessory dwelling units, which have been outlawed in many municipalities across the country.

Other cities such as Austin and Arlington, Virginia, have also created similar incentives without mandates. Minneapolis, Minnesota, has allowed the construction of duplexes and triplexes in neighborhoods that previously allowed only single-family homes and permitted multistory buildings along transit corridors. Portland, Oregon, recently allowed up to four homes to be built on single residential lots in the city, and Durham, North Carolina, has reformed minimum lot requirements and permitted subdividing lots into multiple residences.

Future reformers may want to build on such developments by following three principles advanced by economist Edward Glaeser, a pioneer in land-use regulation and development. First, replace lengthy codes with a system of simple fees. Second, limit and simplify the areas that can be protected. Third, give residents clearly defined rules for protecting their neighborhoods from unwanted development.26 These three principles together can guide city leaders to a more rational, equitable use of land for the public.

While the fix to our cities’ affordability problems is mostly local, the federal government can play a limited role. First, it could require a “housing impact analysis” to ensure federal funds are not unwittingly contributing to rising costs. The Department of Housing and Urban Development produced a template for such an analysis in 2006, which could be updated.27

Second, federal housing and community development funds could be conditioned on how well localities’ zoning and land-use codes allow for greater housing supply. Until the Donald Trump administration ended the Barack Obama–era Affirmatively Furthering Fair Housing rule in 2020, it was conducting a regulatory reform process aimed at changing the rule along these lines.28 Such an approach carries real risk, but done properly, the federal government—or, better yet, a third-party rating agency—could award points to recipients of federal funds based on the flexibility of their
land-use codes and allocate federal funding according to a formula. Nothing should be mandated, but the message would be clear that localities that choose to drive up costs with overly restrictive land-use policies should not expect the federal government to come to their rescue with subsidies for “affordable housing.”

**Open Access to “Opportunity Markets.”** Another way to increase the odds that lower-income people will move closer to opportunity in a metro area is to make it easier for governors and mayors to use federal resources to assist displaced and underemployed workers in knowing where to move.

One way to do this is to combine better data tools with greater flexibility in federal workforce development programs. Technology already exists to help employers and economic developers understand which types of jobs requiring which types of skills at which pay level are growing or diminishing in regional areas. State policymakers should be able to use federal workforce funds to make this type of data available to everyone, on their phones and computer screens.

Next, federal policy should free up funding currently used for outdated requirements such as physical one-stop job centers to help job seekers relocate near the training in which the new jobs app suggested they enroll. Resources should be available to help with higher rent levels, commuting costs, and other “life barriers” to finish a certification or degree program in an opportunity-rich part of a city. When figuring out which programs in what part of town open the most doors, too many underemployed people are flying blind. It does not have to be that way.

A more ambitious policy goal to increase mobility is benefit portability. The rise of gig economy workers has given this idea renewed attention in recent years, but it would also help a larger class of lower-income workers. When benefits tie a worker to an employer, as in the case of health insurance, or to a geographic area, as with various federal social insurance programs that require state and local administration, people are less free to job hop the old-fashioned way—from one employer to another in a competitive marketplace. Designing benefit portability is fraught with political pitfalls, but supporting efforts underway could be a good place to start. A handful of states and cities have proposed various portable-benefit programs in recent years, and while they are mostly focused on gig economy
workers, they could be studied as a model. Allowing other workers to opt in to such programs in lieu of traditional benefits would be one way to build a base of subscribers to evaluate.

Finally, urban policymakers should capitalize on the momentum that has been growing over the past decade to reform occupational licensing laws that create steep barriers into the labor market and diminish local entrepreneurship. The time has come to accelerate the movement. This will come mostly through state-level policy entrepreneurship, such as recent reforms in Arizona to recognize licenses from other states. Bipartisan federal legislation in 2018 allows a portion of federal job-training funding to be used by state agencies to coordinate efforts to consolidate and eliminate onerous licenses. Multistate cooperation is the next opportunity to expand these efforts to free up more occupations for lower-wage workers.

Relearn the Lessons of Community Policing. Commentators on the left and right have noted in recent years that too many police departments have become militarized and operate on a command-and-control crime response platform. This has contributed to the unrest currently on display across the country, as residents and police see themselves as opponents rather than part of the same community. One problem has been the deterioration of community policing, which has existed for decades but swept across the country in the 1990s after the creation of a federal program to support its implementation. Community policing, simply put, got officers out of squad cars and into the neighborhoods in which they worked with schools, churches, charities, and other neighborhood groups on crime-prevention strategies.

While many municipalities still practice community policing, it has declined as a practice over the past couple of decades. Several theories blame things such as city budgets or the post-9/11 environment, but whatever the case, the time is ripe to revisit the benefits of having police out in communities, responding to concerns before crimes happen.

Accelerate Innovation in Schools. The pandemic has taught us that we need both traditional schools and new educational models, especially in cities. Low-income children have suffered considerably in math as their schools have closed. Affluent children have fared better owing to their
access to alternative modes of learning. The goal of urban education reformers should be to extend publicly supported variety and options to all families in their jurisdictions, regardless of income.

Traditional public schools are community institutions that produce an immense amount of social capital and resources in addition to education. Urban leaders’ first priority should be to ensure they are safely open, as other countries have shown is possible with practical clarity and discipline.

But just as charter schools have injected positive pressure into urban school districts, new types of schooling could expand to serve more students. For instance, microschooling, which combines distance learning with small groups of home-based students, takes the impersonality out of online schooling.\textsuperscript{32} Hybrid homeschooling, which involves a combination of campus and home-based schooling, provides the flexibility of homeschooling with the structure of traditional schooling.\textsuperscript{33} In traditional schools, another idea is to grant individual teachers a charter to operate independently just as charter schools operate independently of their districts.\textsuperscript{34}

Cities are inherently complex and diverse, which schooling options should reflect. Federal and state policy need to support this diversity rather than uniformity, which has been the habit of the education establishment.

**Experiment with a Charter City Concept.** Charter cities are mostly a concept in development economics, promoted by Nobel laureate Paul Romer, in which cities in a developing country are freed of the host country’s rules and regulations. A similar idea could benefit American cities that are stagnating and need a reboot. Drawing on an idea for a “superwaiver” in the early 2000s, cities could be relieved of numerous federal program requirements to combine housing, infrastructure, community development, environmental, and welfare resources into more streamlined and customized plans. The waiver could be in exchange for reduced benefit levels and specific housing affordability standards. Evaluations a few years hence could form the basis for continuation.

**Take Regions Seriously.** If greater worker mobility seems like a boon to metro areas, smarter regional strategies could broaden its benefits. Governors in almost every state are familiar with the problem of the hinterlands.
As metro areas produce more of a state’s GDP and suck up more workers, small towns and rural areas complain about being “left behind,” even when—as is often the case—they are net recipients of state tax dollars while the urban areas are net donors. A governor cannot tell them, politically speaking, to “reinvent yourself or die.” But in many cases, that is exactly the prospect they face.

One way to deal with this issue is to recognize the obvious, even if it is hard to admit: Many outlying areas will never bounce back unless they are connected economically to their nearest metro hub. Rather than pursuing economic development strategies aimed at getting a factory here and a warehouse there (which is what most states do), carve up a state into regions around metro hubs and fund strategies that connect the outlying areas. One model was Indiana’s Regional Cities Initiative, which used a combination of funding to support regional plans that created clear links, say, between a small town that envisioned itself as a bedroom community and the nearest metro center that served as a job hub. (Full disclosure: I helped with the policy design of the initiative.) Such initiatives should be studied and used to change federal community development programs’ priorities.

Cities need immigrants, and allocating visas based on regional and local interests is one way to address the need. This approach also depoliticizes the immigration issue somewhat, as it moves the issue off the national stage and onto state and local ones. One idea in a proposed 2017 federal bill is to allow states to sponsor immigrants, which would in turn allow places with lower in-migration rates to make up for their slow growth rates by attracting more immigrants. Another idea from the Economic Innovation Group is to allow communities in stagnating areas to opt in to a “heartland visa” program that reserves a certain percentage of visas for high-skilled immigrants willing to relocate to those areas.

Urban Engines of National Prosperity

Cities will continue to dominate our economic and social lives. The question during a season of resurgent populism is not how to double down on the urban-rural divide and pit the heartland against cities. Rather, it is how to make cities more dynamic for more people, which in turn means...
overcoming the stasis and barriers for which urban overseers themselves are predominantly responsible.

More dynamism will require a new generation of contrarian policy entrepreneurs in America’s cities, supported by open-minded policymakers in state capitals and Washington, DC. The president has a key role to play here—in how he talks about cities, the sort of economic agenda he pursues, and his attitude toward opportunity, mobility, and community.

Notes


24. Cox and Streeter, “The Importance of Place.”


The president who will take the oath of office in January 2021 will face some enormous governing challenges. Some are practical and obvious. Our country will be about a year into its confrontation with the global COVID-19 pandemic, and even if we are close to defeating the virus, both the public health and economic burdens of that confrontation will continue to require the president’s extraordinary efforts and attention. Add to that the many policy challenges that predate the pandemic and may have been exacerbated by it—such as the socioeconomic prospects of the most vulnerable Americans, the government’s fiscal imbalance, and an increasingly aggressive China—and it is not hard to see how our government’s chief executive might spend his time.

But some of the governing challenges the president will face in the coming years run deeper than that. Well before the pandemic, and beneath the surface of our policy debates, the United States has long been burdened by an underlying breakdown of our political culture and the institutions that constitute the infrastructure of our politics. Dysfunction at that level makes it nearly impossible to constructively take on more practical governing needs, as any attempt to do so is immediately undermined by political paralysis, institutional sclerosis, and an ethos of cynical contempt. Our two parties have each decided that the other is the country’s biggest problem, which makes it difficult to take up any other problems through the tools and institutions available to our system of government.

This breakdown takes the form of not only intense polarization in our political debates but also scornful confrontation across ideological lines in many cultural arenas—and even isolation, disaffection, loneliness, and despair in too many Americans’ private lives. It has sent our political
culture careening down a path that leads to an abyss, and it is hard to see how we might slow down, let alone turn back. No amount of sermonizing about the need for civility and mutual respect is likely to succeed.

What we require is an off-ramp—a different road to take—so that our civic and political energies might be redirected away from alienation and conflict. And ironically, although the dysfunction of our political culture and institutions makes it difficult to take up traditional policy debates, that very dysfunction might itself offer an alternative object for policy action. Faced with two kinds of governing challenges, it might be possible to use one to address the other.

That could happen through a concerted effort to make the 2020s a decade of reform in American public life—a time to take on dysfunction in concrete, practical, and achievable ways, changing rules and systems within the broader framework of our durable constitutional infrastructure and helping our institutions work for us again. Reform is not revolution. It aims not to overturn but to renovate—not to reject but to restore. It compels us to think about not only why things are not working but also how they might work better.

Answers to that kind of question—how might things work better?—will almost inherently be incremental, pragmatic, and concrete. Even by just more frequently asking questions that lend themselves to such answers, we could begin to make our way off the path of self-destruction on which we find ourselves. By just surfacing the possibility that reforms might be achievable—that targeted, incremental changes to how our institutions work are within our reach again—we could begin gradually to change the subject of our politics in a way that may lend itself to not only some genuine improvements in our government’s functioning but also a lowering of our cultural temperature and a recovery of some sense of proportion, restraint, and responsibility in our common life.

The greatest obstacle to such a change of direction is the sheer inertia of our culture of contempt. We need to become capable of imagining an era of attempts at reform on multiple fronts, in which we negotiate toward changes in how some familiar systems of political intercourse operate. That would take leadership willing to take up various reform ideas in different arenas of American government and politics, which is where the president, among others, would come in. And it would require some
catalytic examples of attainable yet meaningful reforms that would set off further efforts.

**Structural and Institutional Reforms**

A catalytic first reform would have to be an achievable change that would be appealing and appropriate in itself but also set us on the path toward others. There is one plausible candidate for the task, at least regarding institutional and political reform, though it may not be immediately obvious: modestly expanding the US House of Representatives.

The 2020 Census will yield detailed results for use in the apportionment of congressional districts by April 2021. These will provide an updated picture of the geography of the American population, which will then be used to reallocate House seats and redraw districts. In the normal course of things, that would mean allocating the 435 seats of which the House of Representatives is now composed. But 435 members are not enough to represent a nation of nearly 330 million people.

When the Constitution was first ratified, the House had 65 members, each of whom represented approximately 30,000 Americans. As the nation grew, the House at first did, too, expanding several times throughout the 19th century. It reached its current size in 1911, when each of its 435 members represented about 210,000 people. The House has not increased in size since then, even though the population of the nation has more than tripled. Each member now represents about 745,000 Americans. That has changed the very meaning of representation in Congress and the nature of the relationship between constituents and their representatives.

An increase in the size of the House could improve its capacity to represent the American public, though of course any such increase would need to take into account that the House is intended to function as a venue for face-to-face legislation and bargaining, so it can only grow so large. How large? The 2020 report of the Commission on the Practice of Democratic Citizenship—a group convened by the American Academy of Arts and Sciences, and of which I was a member—proposed beginning with a small expansion and noted that “the current Capitol Building could easily
accommodate an additional fifty members,” so this might be a reasonable place to start.  

Even such a modest increase would have enormous appeal for several reasons beyond the direct benefits of modestly improved representation. For one, precisely because it is modest, it could plausibly appeal to the existing Congress, which would have to enact it. Expanding the House by roughly 50 members would not fundamentally transform the institution’s character or disempower its existing members.

On the contrary, expanding the House would offer the political class the prospect of addition rather than division: It would hold out a set of new political offices to win, rather than just reallocating existing ones in a way that takes some away from current elected officials. By doing this without significantly devaluing existing House seats, such an approach could win the needed support in Congress. And that support could be bipartisan, since expanding the House would not necessarily advantage one party over the other.

At the same time, however, even such a modest expansion could be significant enough to set off a series of related follow-on reforms across our political system. For one, it would trigger a modest rebalancing of the Electoral College. The Constitution sets the size of each state’s Electoral College delegation as “equal to the whole Number of Senators and Representatives to which the State may be entitled in the Congress,” so expanding the House would automatically result in a larger number of Electoral College delegates, distributed according to the states’ populations. That larger number would modestly reduce the overrepresentation of less populous states in the Electoral College, though its net practical effect on election outcomes could not be easily determined in advance—and therefore need not feed in any simple way into a partisan calculus.

Meanwhile, expanding the House, by shaking up the status quo some, could help shake loose opportunities for improvement in two other arenas: congressional reform and electoral reform. First, introducing 50 new members of the House could, if motivated members are prepared to make the most of the opportunity, create an opening for reforms of the institution itself. Broadly speaking, these could involve a shift in power from the leadership to the membership, which could change the budget process, the committee system, control of the floor, and more. The dysfunctions
of our constitutional system at this point nearly all radiate outward from Congress’ failure to assert itself. And that failure, in turn, is a function of perverse incentives that channel the ambition of members away from legislative work and of the excessive consolidation of power in both houses, leaving leadership with too much control and other members with too little to do.\textsuperscript{4}

Some deconsolidation of the budget process is essential for beginning to address that problem. For instance, by eliminating the distinction between authorization and appropriation, Congress could set spending levels on programs when it defines those programs rather than leaving all budget decisions for one big up or down vote as a government shutdown nears. Breaking up budgeting into smaller portions would create more opportunities for real legislative work.

Similarly, some of the consolidated power of party leaders in Congress should be distributed again through the congressional committees. Measures that give committees some control of floor time, for instance, could enable more members to be more involved in legislating and let some unpredictable coalitions take shape.

There is no shortage of such ideas and no shortage of frustration among members who would like to see the institution change in this direction. But in recent years, there has been a marked shortage of will and a lack of confidence that such reform efforts could actually advance. The opportunity created by examples of constructive change enabled by a concerted effort to make the coming decade an era of incremental reforms could help ideas on the shelf become a meaningful agenda.

Second, and relatedly, expanding the House of Representatives could set off a period of ferment and reform in our electoral system as well. Beyond expanding the Electoral College that would follow automatically from a larger House, the adjustments that would follow at the state level from introducing 50 new House seats could be used to experiment with new modes of district design and congressional elections. In the redistricting process, states that wanted to or had sufficiently prepared and able reform movements ready to seize the chance could use the introduction of new districts to curtail gerrymandering and normalize the sizes and shapes of districts in accordance with broad population patterns.
More important, states could experiment with greater use of electoral methods such as rank-choice voting and (with help from a simple legislative change at the federal level) could experiment with multimember House districts—larger districts, each of which would be represented by more than one member. The combination of such methods could allow for more diverse party coalitions, so that the complexity of the American electorate could be better represented in Congress. This would not necessarily advantage either of the two major parties over the other; it would just allow substantial minority views to be represented. We might see more Republicans in the California delegation, for instance, but also more Democrats from Nebraska. The result would be broader coalitions, which might help turn down the temperature of our political conflicts a little.

These would be experiments, only taken up in some states where reform coalitions have already been consolidating and have lacked the opportunity to act. The results of such reforms would then determine whether they were attractive to others and could stand a chance of being more widely adopted. They are ways of better reflecting the complexity and diversity of the American polity. And even at the national level, embodied in congressional reforms, these ideas reflect that complexity by recognizing that our political institutions are built to enable (and even compel) accommodation and bargaining, not to empower narrow majorities.

This is a crucial distinction for reformers to keep in mind. There is a great danger in the streak of angry majoritarianism evident in some contemporary political-reform efforts—such as movements to eliminate the Electoral College or the Senate filibuster. A democracy should be judged by not only how it represents its majorities but also how it guards its minorities.

The balance involved is not easy: Durable majorities need to get their way eventually, if what they want is not grossly unjust. But durable minorities need to have the chance to endure and even restrain the majority when their endurance is at stake. We have a set of institutions carefully evolved to provide that balance. Practically, this often takes the form of a balance between city and country, sustained by a modest overrepresentation of the country party in our politics—so that close contests go to the party representing less urban and less dense parts of the nation—because the city is immodestly overrepresented in essentially every other institution of our society.
The frustration of narrow majorities with this pattern is understandable, but that does not mean it is justified. They should address it by broadening their majorities through bargaining and accommodation, not by seeking to crush large minorities. The Electoral College, the filibuster, and similar restraints on pure majority rule compel us to deal with one another and pursue broad coalitions. They restrain arrogant majorities. We should be sure they are not too restrictive. So, we should want rules that enable the filibuster to be employed only rarely, for instance, and the Electoral College to be rebalanced through expanding the House now and then. But we should think twice before trampling the minorities they protect—particularly as we are all likely to find ourselves in one of those minorities sooner or later.

The downside of pure majoritarianism can also point the way to some political reforms aimed at enabling compromise and building broad coalitions. In particular, reformers of campaign-finance and election laws at both the state and federal levels could aim at empowering political parties—with incentives to build broad tents—rather than narrow issue groups that benefit from intense polarization.

Ironically, ours is a partisan time because the parties are weak, not strong. If their goal is to restrain rampant partisan animosity and, in general, avoid polarized concentrations in our public life, reformers should constrain the use of open primaries, for instance, and the parties themselves should rethink the ways they choose candidates to create incentives for coalition building rather than for doubling down on core constituencies. Broader but more factionalized parties would also be in a better position to enable cross-party coalitions on key issues and allow political reforms to lead toward policy reforms.

Such constructive factionalization within the parties is a more plausible and realistic aim for reformers than either creating third parties (which has never been a realistic prospect in our system in the long run) or advancing various “neutral” technocratic alternatives to partisanship. American politics has almost always involved two large parties, but it has also almost always involved far more internally factionalized parties than the two we see today.

The emergence of significant factions within both parties (along intra-party divisions that, as suggested below, will likely have to do more with
economic than social issues, while social issues define the differences between the parties) could help clarify and concretize the gradual realignment of voter groups we have begun to see in American politics. It could help turn both populist and elite intellectual movements into practical governing coalitions, both within each party and between the two. It would also tend to decentralize power in Congress, since today's party-leadership model is premised on unusually cohesive party coalitions.

This process within the parties will not happen on its own, and it will not happen through broad democracy reforms alone; it will require old-fashioned political organizing and institution building. But it can be helped by reforms that pull our politics out of some deep ruts.7

A further appeal of such reforms—of Congress and the electoral system—is that they all remain within the bounds of the constitutional system. They do not involve constitutional amendments, so they do not require supermajorities that are far out of reach in our polarized era. Related reform measures to address some public frustrations with our system without altering its fundamental structure (for instance, a law to limit Supreme Court terms to 18 years, after which a justice would return to service as a judge in a federal appeals court)8 could also become more imaginable if we found ourselves more in the habit of contemplating and instituting targeted, incremental reform measures. By treating this as a time to address dysfunctions in our institutions, we can create an environment in which our politics is directed to addressing concrete frustrations.

The president's role in such reforms of Congress, the electoral system, and other facets of our political infrastructure would be indirect but crucial. By speaking of the 2020s as a decade of reform, and by encouraging modest changes that might build the habits required for more significant ones, the president can play a crucial role in addressing some public concerns and aggravations and setting a different tone for our political culture.

**Administrative and Policy Reforms**

There is a far more direct role for the president, however, in advancing reforms to public administration and public policy. On this front, too, we have fallen into the habit of assuming that the rules and structures are set
and we are doomed to live with their inadequacies. But by taking dysfunction for granted, we ensure that neither our system of government nor our political culture will improve. If we make the response to dysfunction an object of policy action, we could gradually improve both.

In this arena, the case for a period of reform would naturally begin from the need to learn lessons from the COVID-19 pandemic. The public health crisis has revealed serious weaknesses in American public administration. Our core federal public health agencies, the Centers for Disease Control and Prevention and the Food and Drug Administration, confronted the most serious crisis of their histories and proved too slow and rigid. Whoever is president in 2021 will surely need to launch not only a thorough review but also an overhaul of both and of their interactions with the broader federal government.

Federal emergency response more generally needs rethinking and reorganizing. For instance, there is a strong argument for dismantling the Department of Homeland Security, which was created in the wake of the September 11 attacks, and returning its constituent elements to other cabinet agencies (including the Departments of Justice, Health and Human Services, and Treasury) better suited to providing the relevant expertise for its various functions.

The government’s role in research and development could also use a fresh look, with an emphasis on goal-based investments and coordinating private efforts toward public aims. Here there may be some positive lessons from the pandemic response, especially from the National Institutes of Health’s work, which could be applied elsewhere.9

The crisis has also suggested some lessons about American federalism that might be constructively translated into a series of reforms, negotiated with Congress and the states, which would clarify the responsibilities of our different levels of government while better enabling them to be met. For instance, Washington’s role as a fiscal backstop of last resort in serious emergencies could be codified through a system of emergency lending to the states (which would require changes to both state and federal laws and some state constitutions), rather than crisis appropriations that are far less reliable and far less fiscally responsible.10 Some broader rebalancing of fiscal obligations—for instance, by federalizing nearly all Medicaid costs but making nearly all education funding the states’ responsibility—could
also clarify the budget outlooks of both levels of government and help disentangle the two.\textsuperscript{11}

To similarly clarify lines of authority and responsibility in federal administration, the president could rein in the so-called “independent” regulatory agencies. Agencies such as the National Labor Relations Board, the Consumer Product Safety Commission, the Securities and Exchange Commission, the Federal Communications Commission, the Federal Deposit Insurance Corporation, and the dozen or so other commissions that regulate the national economy are generally considered independent because the president’s ability to remove their leaders is limited. But, practically, they are also generally independent of the review and coordination process by which the president and his senior appointees oversee the regulatory function of the executive branch. That makes it difficult for the president to exercise the power vested in only him by the Constitution and to be answerable for its uses. This distortion of the constitutional order could be corrected through presidential action.\textsuperscript{12}

More traditional policy reform, which would need to be achieved through legislative action with presidential backing, is of course harder to imagine in our polarized era. But if these other efforts toward institutional, political, and administrative reform can gain some steam, there may be hope for some consequential reforms that could modernize core public programs and take us beyond the midcentury welfare state toward an approach to social insurance, taxation, and assistance to the poor better suited to 21st-century circumstances.

The very character of the contemporary political environment may actually offer some hope on this front. We are accustomed to thinking of the two major party coalitions as each united on a core vision of the role of government in the economy but divided on some significant social and cultural issues. But that view is well behind the times.

Today, each party’s coalition is increasingly unified on social issues but divided on economic issues: Republicans are torn between the party’s recent history of libertarian economic policy and a more interventionist populist wing that is much more open to aggressive government action in key areas. Democrats are divided between neoliberal progressives and a far more interventionist wing that at times is even willing to be labeled socialist. This suggests that cross-partisan compromises on
social issues (around, say, the Hyde Amendment on abortion funding) are not long for this world but that there may be some novel and unfamiliar opportunities for cross-partisan compromise on economic policy and the role of government.

Such measures would need to be forms of modernization, suited to new circumstances in both our economy and our politics. AEI’s James Capretta and Andrew Biggs have proposed such reforms of Medicare and Social Security, respectively. Each would take effect only gradually, without changing the arrangements of current retirees. And in each case, the program would provide a base benefit to all retirees and additional help for those with lower incomes in a way that better serves its original aims, offers more help to those in greater need, and gradually but significantly improves the government’s fiscal prospects.\(^{13}\)

Tax reform could similarly break from the mold of the debates of recent decades. For instance, AEI’s Alan Viard and the Urban Institute’s Eric Toder have proposed reducing the corporate tax rate while taxing all income (whether from labor or capital gains) at the same rate, encouraging domestic investment and employment, better valuing workers in relation to investors, and sharply reducing incentives for corporate inversions in a revenue-neutral way that makes the tax system more progressive. Such an approach would take account of the kinds of concerns about globalization, technological disruption, and financialization that have arisen in our politics in recent years while also improving the government’s fiscal prospects.\(^{14}\)

There may also be some room to rethink century-old labor laws in ways that enable new forms of organizing for workers who escape the rut of politicization (and, at times, corruption) into which unionism has fallen in our time. By enabling some experimentation with works councils and other forms of representation and bargaining, and by allowing states to waive out of some federal labor-law requirements, such reforms could enable labor organizations to develop new forms and functions and could empower workers in circumstances for which our traditional union arrangements are not adequate. Reforms on this front, as on those mentioned above and others (such as more robust support for parents of young children), could draw together unusual cross-partisan coalitions that may not have been imaginable in prior eras.\(^{15}\)
Obviously, the prospects for labor, entitlement, and tax reform are slim, and such reforms are different in kind from the sorts of political- and policy-infrastructure reforms discussed earlier. It would take a successful turn toward reform-mindedness in our political culture to make such bargains possible, but they are where efforts to make that turn could lead in time. That basic change of attitude—that recognition that we can change failing systems and that doing so should be a core purpose of our politics now—is an essential prerequisite to more functional policy debates. It can begin to change the tenor of our politics and then the substance.

A Decade of Reform

That a change of tenor must precede a change of substance should be clear to anyone with some experience of our political culture these days. What stands in the way of functional policy debates and the sort of bargaining that ultimately makes for durable legislative action is above all an attitude—a sense that our political life has become a bitter and partisan fight to the death and that dealing with the other side is exactly what we cannot afford to do.¹⁶

But this attitude does not begin or end with elected officials. It is our attitude, and it presents itself in many arenas of our society when people opt to avoid letting institutional forms mold our understanding of our responsibilities and instead use the institution as a platform for performative virtue signaling. That widespread vice keeps us from believing that our institutions could still function. It yields a disposition that soon becomes self-fulfilling, especially when the people we put in positions of power use those positions merely to channel frustration, affirming our most cynical fears.¹⁷

Breaking that cycle requires a change of disposition. But although the right attitude must precede constructive political and policy action, we can encourage that attitude by making such action our explicit goal, treating it as not only imaginable but also achievable, and pursuing it practically, earnestly, and incrementally.

The potential reforms laid out above could not all be pursued of course, and they would not all succeed. But pursuing them, or others like them,
would itself begin to broaden the scope of what is possible. They offer the beginnings of a catalog of constructive action. Different Americans can prioritize different sorts of reforms in different corners of our public life. And only a few could truly come to fruition. But if we turn our attention to how the infrastructure of our civic and political life could be improved—how the rules could work for us, institutions could be revitalized, systems could be modernized, and frustrations could be eased—we will find that every attempt makes every other more plausible and that the ethic of our political culture can gradually be mended and made whole.

The president who takes office in 2021 will lead a nation that has long felt itself coming apart. Helping it feel whole again will be among his highest callings. There are no easy ways to do that. But making the 2020s a decade of reform on various fronts offers one promising way to start.
Notes

5. Multimember House of Representatives districts were common in the first four decades of the 19th century, at one point encompassing almost a third of the seats in the House, but the Apportionment Act of 1842 mostly outlawed them. Several states continued the practice even after that law by treating the entire state as one multimember district. For instance, as late as the 88th Congress in 1962–63, 22 of the House’s 435 members served in such “at large” multimember districts. The practice was ended by the Uniform Congressional District Act of 1967, which mandates the use of discrete, single-member districts for all states with more than one seat in the House. That law would need to be repealed or changed to enable multimember districts again.
6. For a more detailed discussion of these proposals, see Lee Drutman, Breaking the Two Party Doom Loop: The Case for Multiparty Democracy in America (Oxford, UK: Oxford University Press, 2019).
12. See, for instance, Adam J. White, “Reining in the Agencies,” National Affairs 11

13. See Andrew G. Biggs, “A New Vision for Social Security,” National Affairs 16 (Summer 2013), https://www.nationalaffairs.com/publications/detail/a-new-vision-for-social-security; and James C. Capretta, “Rethinking Medicare,” National Affairs 35 (Spring 2018), https://www.nationalaffairs.com/publications/detail/rethinking-medicare. As James Capretta notes, reforms of Medicare could have involved a more straightforward move to premium support if they had been undertaken a decade ago, “but if there was a window of opportunity during which enacting premium support might have addressed the core of Medicare’s long-term fiscal challenge, that time is behind us.”


17. This argument regarding the deformation of institutions is laid out more fully in Yuval Levin, A Time to Build: From Family and Community to Congress and the Campus, How Recommitting to Our Institutions Can Revive the American Dream (New York: Basic Books, 2020).
The Constitution gives the president great powers but also great obligations. Perhaps the most basic of these obligations is his duty to “take Care that the Laws be faithfully executed.” The work of executing laws was challenging enough in George Washington’s time. It is exponentially more challenging today, given the intervening accumulation of federal statutes and especially the past century’s countless laws authorizing or commanding federal agencies to achieve innumerable federal policies.

Today’s “administrative state wields vast power and touches almost every aspect of daily life,” Chief Justice John Roberts wrote a few years ago. “The Framers could hardly have envisioned today’s vast and varied federal bureaucracy and the authority administrative agencies now hold over our economic, social, and political activities,” he added. “The administrative state with its reams of regulations would leave them rubbing their eyes.”

Fortunately, the framers’ Constitution and the laws Congress passes give presidents tools for carrying out the weighty task of administering federal regulatory statutes. But to succeed in carrying out this part of his constitutional work, a president must draw on what Alexander Hamilton famously described as “Energy in the Executive”—an energy that is “essential to the steady administration of the laws.”

An energetic president can promote steady administration of the laws through his regulatory agenda in several ways. The president’s executive orders should give his agencies clear policy guidance to channel their policymaking discretion toward specific goals. He should direct agencies to improve their policymaking efforts in terms of analytical rigor, factual accuracy, and legal viability. Finally, he should direct agencies to approach policymaking with an eye on the long view, recognizing that steady
administration requires a time horizon longer than just a few years and thus longer than just one presidency.

**Seize the Initiative to Focus Agencies’ Policymaking Discretion**

Although the president and his agencies are tasked with executing the statutes that Congress has written, those statutes rarely specify what precise policy Congress wanted to be executed. Instead, as influential judge Henry Friendly once wrote, Congress too often legislates “a mood rather than a message.” Because statutes leave such broad discretion to presidents and agencies, they create vast policymaking opportunities for each chief executive. However, using such opportunities threatens to undermine the principle of steady administration because regulation, like a pendulum, can swing wildly in its application from one administration to the next. Worse still, the panoply of statutes instructs agencies to vindicate general principles in conflict with one another, increasing the risk that agencies will work at cross-purposes over time and across the government.

Presidents have always directed or at least influenced agencies in the exercise of statutory discretion, formally or informally, by coordinating the agencies and charting an overall policy agenda for the administration. In recent decades the White House’s central role in coordination has become much more formalized and regularized, as Elena Kagan described in her seminal article on “presidential administration” in 2001. Since then, the past two administrations have further formalized the president’s leadership role by using executive orders that direct groups of agencies to exercise their statutory discretion in certain ways, to the greatest extent allowable by statute.

The use of executive orders, of course, has legal limits: A president cannot enforce executive orders that violate the Constitution or lawful statutes. But when the Constitution and statutes leave agencies with a wide field of discretion on a subject, the president can use executive orders effectively to narrow his agencies’ range toward a particular policy outcome. President Barack Obama, for instance, achieved this through his executive order directing agencies to increase their support for certain forms of stem cell research. President Donald Trump followed that example and
significantly increased the practice through overarching executive orders that announced the administration’s core principles on financial policy, energy and environmental policy, health care, and other subjects.

This approach, when kept within its proper constitutional and statutory limits, promotes several principles of sound constitutional administration. First, it promotes political accountability by signaling to the people, political appointees, and civil servants that responsibility for a given policy traces all the way back to the president himself. (“The buck stops here.”) Second, it promotes steadiness by pointing agencies toward more focused and better defined policy goals instead of leaving them to range among the arrays of potential goals left open to them by a broad statute. Third, it reduces regulatory uncertainty by telegraphing to the public in more certain terms, earlier in the administration, what policies the agencies will consider pursuing. The sooner a president’s administration can telegraph what general policies it intends to pursue—once it has decided on them—the better.

In charting its overall policy agenda and coordinating and directing its agencies toward those ends, an administration will need to decide how much power to assert over the so-called “independent” regulatory commissions. For well over a century, Congress has created multimember regulatory agencies that enjoy at least some measure of nominal independence by limiting the president’s control over the agencies’ leadership. Usually this independence is embodied by statutes that expressly limit the president’s power to fire agency heads in cases of, for example, “inefficiency,” “neglect of duty,” or “malfeasance.” The precise meaning of those statutes has never been squarely adjudicated, and they might allow for the president to fire a commission member over policy disputes. But in general, they are taken as affording commission members some degree of independence from presidential control.

Thus, even presidents who have asserted strong central control over an administration’s agencies have generally stopped short of asserting similar power over independent agencies. The Ronald Reagan administration, for example, established the modern framework for centralized regulatory oversight with the White House’s Office of Information and Regulatory Affairs (OIRA) yet excluded independent agencies from OIRA’s oversight—not because the White House doubted the president’s constitutional power to oversee those agencies but for prudential political reasons.
Each new administration must strike its own prudential balance regarding White House oversight of traditionally independent regulatory commissions. While independent regulatory commissions’ responsibilities might have been relatively sleepy in 1981, today many independent agencies are responsible for matters at the heart of the most consequential regulatory policies; for example, the Federal Energy Regulatory Commission’s responsibilities for wholesale markets significantly influence not just energy markets but also environmental policy generally and climate policy specifically. The powers entrusted to the Federal Reserve Board of Governors, the Securities and Exchange Commission, and other financial regulators overlap significantly with the responsibilities of purely executive (that is, nonindependent) agencies such as the Treasury Department and the Consumer Financial Protection Bureau. Thus, any administration must decide not just whether to include independent agencies in its informal policy-coordination efforts but also whether to keep exempting independent agencies from the coverage of executive order 12866 and other regulatory-coordination orders.

Given the significance of those independent agencies’ policymaking discretion and the impact of their policies on an administration’s overall policy efforts, presidents should continue to narrow and eventually eliminate the independent regulatory commissions’ sweeping exemptions from presidential oversight. This does not mean independent commissions need to be treated like executive agencies in every respect. Rather, the White House can tailor its oversight of each independent commission to suit the particular policies and sensitivities at issue for each agency, just as President Trump’s OIRA agreed to carefully tailor its oversight of IRS regulations to befit the obvious political sensitivities of presidential involvement with tax enforcement.13

Bridget Dooling, a former OIRA official now at George Washington University’s Regulatory Studies Center, aptly describes such an agency-specific approach as “bespoke regulatory review.”14 The sooner an administration asserts some form of oversight over independent regulatory commissions’ policymaking power, the better; after all, those agencies’ assertions of power to execute laws must ultimately be aligned with the Constitution’s vesting of the “executive power” and “take care” responsibilities to the president alone and with the people’s own judgments as expressed through the election of the president.
Challenge Agencies to Improve Their Policymaking Analysis

The institutionalization of cost-benefit analysis for agencies’ regulatory proposals is one of the most significant developments in modern regulatory history. It improved the quality of agency regulatory analysis and created an institutional counterweight to the administrative state’s largely unchecked growth.

This was not an overnight achievement, as Andrew Rudalevige has explained in an essay for *National Affairs.* Rather, it was a more organic and incremental process, beginning in the late 1960s through the 1970s, before being codified by the Paperwork Reduction Act’s creation of OIRA in 1980 and President Reagan’s executive order 12291 in 1981. The process of institutionalization and improvement continued through the Bill Clinton, George W. Bush, and Obama administrations. Today, OIRA’s role is governed primarily by President Clinton’s executive order 12866, supplemented most recently by President Trump’s executive order 13771 on regulatory budgeting. As Rudalevige describes, OIRA’s success required more than just the issuance of executive orders; it required the sustained investment of presidential political capital and a commitment to seeing the project work not just in theory but in practice.

Articles by two of the most recent OIRA administrators detail its central importance to a well-functioning executive branch. Cass Sunstein, who administered OIRA for President Obama, emphasizes OIRA’s role in “oversee[ing] a genuinely interagency process, involving many specialists throughout the federal government” and considering not just regulatory cost-benefit analyses but also questions of law and policy that implicate more than just a single agency’s interests and expertise. Susan Dudley, who administered OIRA for President Bush, writes that the “durability” of OIRA’s procedures and principles reflects its invaluable role in “giv[ing] the democratically elected president some control over the diverse agencies that comprise the executive branch” and providing much-needed continuity in the technical expertise necessary for effective White House oversight of agencies from one administration to the next.

The best thing a president can do to preserve OIRA’s capacity to play these crucial roles is to expand its fiscal and personnel resources. OIRA has often suffered shortages of both. The president should also build on the
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OIRA framework by expanding its mission and the corresponding duties of agencies that OIRA oversees in two key ways above all.

The first essential priority is retrospective review. Executive order 12866 and scattered statutes require many federal agencies to undertake a cost-benefit analysis of proposed regulations before they are finalized, but there is no similarly broad mandate to reexamine a rule’s costs and benefits after that rule is finalized. The Administrative Conference of the United States, the American Bar Association’s Section of Administrative Law and Regulatory Practice, and other expert bodies and analysts have long called on agencies to undertake “retrospective” cost-benefit reviews to decide whether to repeal old rules. There is merit to that suggestion, but the more compelling reason for requiring agencies to regularly subject old rules to retrospective review is the process will improve the agencies’ analyses going forward.

As former OIRA Administrator Dudley described in a 2012 study, federal agencies’ cost-benefit analyses are habitually erroneous: Their forecasts tend to exaggerate the eventual benefits of rules, and, one suspects, agencies similarly tend to underestimate eventual costs. As Philip Tetlock and Dan Gardner explain in Superforecasting: The Art and Science of Prediction, the key is to ensure that forecasters are held meaningfully accountable by tracking their predictive accuracy over time. To that end, regularly required retrospective review would force agencies to confront their own past errors in cost-benefit analysis, and that exercise would help them avoid making such mistakes in the future. The president should require such a practice for all agencies that do cost-benefit analysis through an executive order that expands OIRA’s mandate to cover retrospective review.

The second essential priority involves agency adjudication. Agencies are generally free to make policy through either regulations or case-by-case adjudication of regulatory disputes. But the OIRA framework for regulatory review covers only regulations, not adjudication. This creates a major imbalance in regulatory oversight and an incentive for agencies to prefer adjudication, rather than the much more transparent and participatory rulemaking process, as the main vehicle for policymaking.

Of course, there is good reason for treating agency adjudication somewhat differently from rulemaking in terms of White House oversight. The
case-specific nature of agency adjudication, as embodied by its name, implies the need for a certain degree of independent judgment in the hands of the agency adjudicators (who are often called “administrative law judges” or “administrative judges,” though they are not judges for purposes of Article III of the Constitution). Even the Supreme Court’s most emphatic decision in favor of executive oversight of the administration, *Myers v. United States* (1926), conceded that presidents should tread lightly around agencies’ case-specific adjudications for the sake of due process. Thus, the challenge for a president and his administration is to find ways to achieve some measure of cost-benefit analysis of regulatory policies made through adjudications without risking heavy-handed interference in individual adjudications.

This should be done by requiring agencies to inform OIRA when a finalized adjudication has created a new policy of economic significance equivalent to an OIRA-reviewed regulation and then undertaking a new cost-benefit analysis of that policy as if it were a rule. Unlike OIRA’s regulations review, this process should not give OIRA a veto over the adjudication. But the process of after-the-fact cost-benefit analysis and reporting will improve the administration’s, Congress’, and the people’s understanding of how much burden each agency’s policies impose on the public.

### Improve the Quality of Agency Fact-Finding

In addition to making policy, agencies also find facts. Indeed, an agency’s factual analysis is one of the key foundations for its policymaking. Often agencies’ efforts to “find the facts” are conducted simultaneously with efforts to craft policies. This is perhaps inevitable, at least to some extent, but it creates significant problems in the effectiveness and the public legitimacy of an agency’s factual findings.24

As Oren Cass observed three years ago in *National Affairs*, agencies claiming to do “evidence-based policymaking” often do something closer to “policy-based evidence-making.”25 The public’s—and the agency’s—understanding of the facts is inevitably colored by their understanding of the policy at stake.
Paul Romer, after winning the Nobel Memorial Prize in Economic Sciences for his study of ideas and innovation, argued that one of the most valuable things government could do to improve the quality of regulation would be to separate fact-finding from policymaking—to separate “the federal government’s scientific advisers, who must be uncompromising in their pursuit of the facts,” from “regulators, who rely on facts but must compromise to balance competing interests when they write regulations.”

The president and his administration should heed this advice. Whether by executive order, agency self-initiative, or a combination, federal agencies should explore how to separate fact-finding from policymaking to the fullest extent allowed by law. Agency fact-finding, including its assessment of scientific information, should be separated into its own proceedings, in its own agency docket, whenever possible. Ideally, an agency should complete its fact-finding work before proceeding to the rulemaking stage, though in some cases it might need to proceed simultaneously on parallel tracks.

To be sure, agency fact-finding would eventually face judicial review in any litigation challenging the policies built on those facts. But separating these parts of the regulatory process into discrete proceedings would help highlight the real meaning of each proceeding: in one docket, the finding of facts and marshalling of factual analysis; in the other docket, the policy choices and value judgments that rest on facts but are not ultimately dictated by facts alone.

Agency fact-finding benefits from an interagency approach. From the outset, agencies should identify factual or scientific issues that cut across individual agency lines, so that the administration can arrive on common factual determinations for all agencies, avoiding conflicts between agencies on particular factual issues, and avoiding conflicts among factual issues.

This process would be further improved by drawing from another aspect of the long-standing OIRA experience. Just as executive order 12866 requires OIRA and the agencies to produce a semiannual “Unified Regulatory Agenda” and “Regulatory Plan” for the sake of transparency and coordination, agencies should also be required to produce “Unified Factual Agendas” to identify major factual and scientific agendas that the
agencies plan to undertake in the months ahead. This process would notify other agencies, the rest of government, and the people as to which factual and scientific questions will soon be examined by agencies and thus would help position the public and other agencies and institutions to contribute to the process.

Fortunately, this agenda-setting process already has begun in earnest, pursuant to the Foundations for Evidence-Based Policymaking Act of 2018 and policy guidance from the Office of Management and Budget. The White House should dedicate maximum resources to the success of this crucial initiative, and, as mentioned, Congress and the president should look for ways to institutionalize the fact-finding process in agencies’ structures and overall processes.

**Build Regulatory Programs on Solid Legal Foundations**

While OIRA’s oversight and interagency review process is generally focused on cost-benefit analysis and similar concerns, executive order 12866 expressly directs OIRA and agencies to be mindful of legal issues too. Specifically, OIRA’s oversight extends to regulatory proposals that “raise novel legal or policy issues arising out of legal mandates.”

This aspect of the regulatory-oversight framework is more important than ever. As agencies assert more sweeping and novel regulatory programs pursuant to statutes enacted many decades ago, they race far beyond the expectations of the Congress that originally enacted those laws, and they undermine the political incentive for Congress to actually do the hard work of modernizing those statutes. Perhaps most important in the short run, such novel interpretations of old statutes raise the risk that federal courts will strike down the regulatory programs as unlawful.

This last consideration is particularly acute in light of recent Supreme Court decisions. As the Supreme Court warned in an opinion by Justice Antonin Scalia in 2014, “When an agency claims to discover in a long-extant statute an unheralded power to regulate a significant portion of the American economy, we typically greet its announcement with a measure of skepticism.” Therefore, when an agency asserts a new policy “of vast economic and political significance,” the Supreme Court directs the lower courts
to require the agency to show that its policy reflects Congress’ “clearly”
stated intentions.31

With a strong majority of Supreme Court justices (and a new genera-
tion of lower-court judges) now holding that view, it would be reckless for
an administration to begin onerous regulatory processes without planning
to satisfy that analytic requirement. The president should structure his
OIRA process accordingly, directing OIRA and the agencies to place much
greater emphasis on executive order 12866’s requirement for heightened
review of regulations involving “novel legal or policy issues.”

This approach would be best achieved by involving another expert body
in the executive branch: the Department of Justice. Once a regulatory
agency or OIRA identifies a novel legal issue in a proposed rule, the Justice
Department’s Office of Legal Policy (or another existing or new unit in
the Justice Department) should be responsible for reviewing the agency’s
legal analysis to ensure that its proposed regulation is genuinely supported
by Congress’ clear statutory mandates. OIRA can facilitate an interagency
dialogue for each matter, as it does for agencies’ cost-benefit analyses.

This process will never eliminate completely the risk of an agency pro-
ducing an unlawful regulation. But it would help improve the agencies’
work at the outset of the regulatory process, long before the regulatory
process’ completion in the courts.

Take the Long View

As noted at the outset of this chapter, Hamilton recognized that the exec-
utive’s “steady administration of the laws” was a crucial goal of good
government. He also warned that the changeover from one presidential
administration to the next would threaten steady administration. This is
not entirely bad, to say the least: The whole point of presidential elections
is to allow the people to chart the course of governance through their elec-
tion of the legislators who write laws and the executive who will faithfully
enforce them. But Hamilton rightly observed in Federalist 72 that admin-
istration changes raise the risk of “mutability of measures”—a constant
making and unmaking of policy that undermines the people’s attempts to
plan for the long run.
This, too, has been a point of increasing emphasis in the Supreme Court. In the 2019 case 
*Kisor v. Wilkie*, for example, the justices (in an opinion written by Justice Kagan) warned that agencies’ interpretations of regulations would get less deference from the courts when the agency’s latest interpretation “conflict[s] with a prior one.”

Thus, the administration must take extra care before departing from an agency’s prior interpretation of a regulation or statute and should be prepared to particularly justify this interpretive change. This kind of legal issue could be made part of the aforementioned process for OIRA and Justice Department oversight of agencies’ novel legal positions, but that may be unnecessary. At the very least, the president should order agencies to pay special attention to this kind of issue.

Additionally, agencies should be mindful the next administration could reverse their regulatory plans and should try to erect frameworks that minimize the costs of regulatory uncertainty. Agencies should affirmatively plan for the possibility that their proposed regulations could be undone, and they should explain why the benefits of short-lived regulation would still outweigh the short-term costs, including the costs of regulatory uncertainty. This aspect of agency planning could be improved by “scenarios analysis” to game-plan for future regulatory disruption.

Finally, and in all this, an administration must understand the fundamental lesson taught by Rudalevige’s aforementioned study of OIRA: that a new administrative institution cannot be established simply through announcements and executive orders. Those mark the *beginning* of the process, not the end. A new institution’s success requires more than just a year’s effort; indeed, it requires more than just one presidency. It requires the investment of political capital and administration resources for many years and over multiple presidencies. Only through such effort can a president build what Clarence Thomas, then chairman of the Equal Employment Opportunity Commission, called “good institutions that protect and reinforce good intentions.”
Notes

1. US Const., art. II, § 3.
6. For instance, Exec. Order No. 13772.
7. For instance, Exec. Order No. 13783.
8. For instance, Exec. Order No. 13813.
10. See, for example, 15 USC § 41.


One day in the autumn of 1967, the Berkeley sociologist Nathan Glazer visited Swarthmore College in Pennsylvania. He was there to debate the Chicago-based community activist Saul Alinsky. The subject was the New Left. Glazer was a well-known critic of the radical politics then making its way through American social, cultural, and educational institutions. But he was no stranger to radicalism itself.

A 1944 graduate of the City College of New York, Glazer belonged to the coterie that lunched in the campus dining hall’s Alcove No. 1, where non-Stalinist Marxists and other members of the left opposition argued over history, reform, class, and war. Many members of this circle, which included Daniel Bell, Irving Kristol, Seymour Martin Lipset, Seymour Melman, and Philip Selznick, went on to perform distinguished work in the social sciences.

Glazer was not an exception. With David Riesman, he coauthored The Lonely Crowd: A Study of the Changing American Character, a pathbreaking work that helped define the 1950s (somewhat unfairly) as an era of bland conformity. And with Daniel Patrick Moynihan, Glazer cowrote Beyond the Melting Pot: The Negroes, Puerto Ricans, Jews, Italians, and Irish of New York City, a landmark study of ethnicity in New York City that demonstrated the enduring power of culture to shape group behavior.

Glazer did not think of himself as a man of the right. He supported the civil rights movement, belonged to the pro–arms control Committee for a Sane Nuclear Policy, opposed the Vietnam War for its duration, believed in the promise of the welfare state, and fought against urban renewal. He voted Democrat all his life.

It was his experience as a teacher at Berkeley, where he arrived in 1963, that forced Glazer to reconsider his self-identification as a “mild radical.”
While agreeing with the principles of free speech and academic freedom, Glazer argued that students went too far in demanding the right to conduct on-campus political activity, fundraising, and organizing.

When students occupied buildings and heckled administrators, Glazer turned against the Free Speech Movement. He later said:

> There was an aspect of—almost of a taunting, of seeing to what extent one could put this institution and its representatives off-balance, which was not a legitimate way to conduct the argument or discussion, unless one thought it was such a reprehensible institution that anything you did to show it up was correct.\(^6\)

In Glazer’s view, the situation of privileged youth in a bucolic and nondiscriminatory university setting did not warrant tactics that had been justified to protest segregation in the South. The politicization of the university robbed the institution of its functions of free inquiry and the transmission of knowledge. And it threatened the academy’s independence.

By the time of his encounter with Alinsky at Swarthmore, Glazer’s skepticism toward the New Left was pronounced. He rejected calls for personal liberation and social revolution. He said:

> By the radical left I mean those who believe there is something fundamentally and irredeemably wrong with our society, and who think the chief way of righting it lies in mobilizing the power of all the disadvantaged groups among us behind a drive for radical change—change going to the roots.\(^7\)

Mild mannered, temperate, humanitarian, and fair-minded, Glazer acknowledged that the New Left was a response to the undeniable ills of war, racism, and petty bureaucratic restrictions on college undergraduates. But he could not endorse its reduction of every social problem to a question of power. Nor could he accept its cavalier disavowal of institutions. “Most of the problems we face are not so simple and require continuous expert attention,” he said.\(^8\)
The New Left was wrong in thinking that present injustices uncovered the poisoned roots of American society. It was wrong in believing that justice would prevail only when those roots were torn out. He concluded:

Ultimately, my disagreement with the radical left comes down to this: I see no Gordian knot to be cut at a single stroke, the cutting of which would justify the greatest efforts (as in the past it has seemed to justify great horrors).9

In the years after his appearance at Swarthmore, the student rebellion spread to Columbia, Cornell, and Yale. It spilled out into the streets during the 1968 Democratic National Convention in Chicago. Glazer grew alarmed at this radical predilection to simplify and confront. He blanched at the increasing anti-Americanism of the New Left. He recoiled at its repudiation of America.

“When we saw this attack launched in the most extreme terms, we simply didn’t understand what they were arguing about or what they were fighting about,” he said. “The critique they launched of the United States was something we simply could not accept.”10 Violent protests, militants brandishing weapons on campus, and harassment of officials and non-radical students pushed Glazer to meditate on his own foundational principles.

In 1970, Glazer brought together a few of his writings on the New Left. In the concluding chapter he wrote:

I have made some commitments: that an orderly democracy is better than government by the expressive and violent outbursts of the most committed; that the university embodies values that transcend the given characteristics of a society or the specific disasters of an administration; that the faults of our society, grave as they are, do not require, indeed would in no way be advanced by, the destruction of those fragile institutions which have been developed over centuries to transmit and expand knowledge.11

And these commitments, Glazer admitted in his introduction, put him “closer to those who call themselves conservative than to those who call themselves liberal in early 1970.”12
Glazer drew the title for the collection from an aside in his friend Norman Podhoretz’s memoir *Making It*. Recounting his own concerns with the New Left, and with “a certain tone or emphasis in these more and more coalescent movements which seemed to me to be turning them away from the necessary impulse to reexamine the clichés of the fifties and toward a disastrous surrender to the equally vicious clichés of the thirties,” Podhoretz drew parallels between the radicals of his time and the Stalinists from three decades before.\(^\text{13}\)

Vituperation of America for its supposed endemic racism and imperialism was a feature of both tendencies. Podhoretz recounted how one founder of the left-wing *Partisan Review*, which had opposed Stalin during the ’30s, “once told the New-Left-minded English critic Kenneth Tynan that he could not argue with him about politics, because Tynan’s arguments were so old that he, Phillips, could no longer remember the answers.”\(^\text{14}\) The name of Glazer’s book was *Remembering the Answers: Essays on the American Student Revolt*.

Glazer placed on his fellow professors a lot of the responsibility for the New Left’s success.

> When I say we were wrong, I mean that we never dreamed that a radical critique of American society and government could develop such enormous power, to the point where it becomes simply the new convention, and where even in the fraternities and sororities conservative opinion has gone underground.\(^\text{15}\)

This failure of imagination left defenseless the guardians of institutions such as the university. “When the questions came up again—imperialism, capitalism, exploitation, alienation—those of us who believed that Marxist and anarchist critiques of contemporary society were fundamentally wrong could not, it seems, find the answers—at least the ones that worked.”\(^\text{16}\)

Other members of the faculty had no such hesitation. “The students who sat in, threw out the deans, and fought with the police, have after all been taught by American academics, among others—by C. Wright Mills, Herbert Marcuse, Noam Chomsky, and many, many others,” Glazer wrote. “All these explained how the world operated, and we failed to answer
effectively. Or we had forgotten the answers. We have to start remembering and start answering.”

Three Waves of Radicalism

It is impossible to read Glazer in 2020 without feeling a pang of recognition. Although the campuses themselves may be closed because of the coronavirus, the doctrines propounded within them for decades animate crusades to eliminate structural racism, defund the police, abolish immigration and customs enforcement, and “decolonize” museums, classrooms, and curricula. It is an agenda of negation.

The draft is gone. America is not engaged in a major war. But mass demonstrations are routine. In late May, the gruesome video of the police killing of George Floyd inspired nationwide protests that in some cases ended in violence, vandalism, arson, and the toppling of statues of not only Confederate generals but also Christopher Columbus, Ulysses S. Grant, and even Frederick Douglass.

The incidence of violent crime in America’s cities is rising. Social media fuels a “cancel culture” in which individuals lose jobs, privacy, and reputations for violating fluid norms of political correctness. The country’s most prominent newspaper devotes itself to revising American history into nothing more than a litany of unending racism and oppression. Anarchists target federal property and wage street battles against law enforcement. The incumbent president calls for “law and order” as both he and his opponents claim the mantle of the “silent majority.” The chaos and upheaval of the late 1960s have returned. Only this time, they are accompanied by plague and recession.

The current unrest is the third wave of radicalism to wash over America in the past century. The first was the upsurge in socialism and Communism to which Glazer belonged during the Great Depression. The second was the New Left’s anti-war and black power movement that shocked Glazer and others into becoming neoconservatives (a label with which Glazer was never entirely comfortable). On one hand, today’s radicalism has its origins in academic theories of white privilege, disparate impact, and intersectionality and, on the other, in a series of high-profile police or
vigilante killings of black men and women, beginning with the murder of the 17-year-old Trayvon Martin in 2012.

Glazer, who died in 2019, is not here to respond to it. But he left us some clues to his thinking. In one of his last interviews, Glazer observed that this cohort of radicals shares with its New Left predecessors a “discomfort at discussion that looks seriously” at issues of race and ethnicity.  

There are other similarities. As happened before, today’s radicalism starts by identifying a real social problem—the complex, tangled, and fraught relationship between African Americans and the police—but ends up condemning the whole of American society. As happened before, today’s radicalism seeks to achieve a noble end—racial equality—but by any means, sometimes including violence.

And it flirts with revolution. “I said if this country doesn’t give us what we want, then we will burn down this system and replace it,” Hawk Newsome, president of the Greater New York chapter of Black Lives Matter, told the Fox News Channel anchor Martha MacCallum on June 24. “And I could be speaking figuratively. I could be speaking literally. It’s a matter of interpretation.”

It is also a matter of pressing importance for the president who takes office in 2021. For today’s radicalism is not exactly identical to the previous two waves. It has several distinct advantages. First, the earlier movements lived on the fringes of American politics. Today’s radicalism is at the center. Second, 1930s socialists and 1960s leftists relied on print materials and analog communications for coordination and planning. Today’s radicals benefit from digital and social media that allow them to network, organize, deploy, and disrupt with incredible speed. Third, today’s radicalism draws from a deep well of generational disaffection from American ideals and institutions.

It cannot be an accident that the vanguard of today’s radicalism is populated with men and women from the millennial generation who were born between 1981 and 1996. Two of the three cofounders of Black Lives Matter are 36 years old. The third is 39 years old. The bestselling theorist of racism and antiracism, Boston University Professor Ibram X. Kendi, is 38 years old. The movement’s celebrity icon, NFL quarterback Colin Kaepernick, is 32 years old. And its most famous elected official, Rep.
Alexandria Ocasio-Cortez (D-NY), is 30 years old. (At age 44, the writer Ta-Nehisi Coates is something of an elder statesman.) These leaders are the medium between the intellectual traditions of black nationalism, post-colonialism, Afro-pessimism, and democratic socialism and the diverse, progressive, college-bound, and online activists of Generation Z who fill the movement’s ranks.

Polling data show that the millennials and Gen Zers do not subscribe to conventional views of American history, American exceptionalism, and American free enterprise. A significant fraction of these two generational cohorts also finds itself estranged from the culture-forming institutions of family, voluntary association, and church. Suspicious of established authorities, and bereft of the guidance that religious belief provides its adherents, a growing number of young people look to critical theory for answers and to identity politics for theology.

Two factors have broadened the appeal of radical politics on both the left and right. There is the blanket perception of betrayal, of promises undelivered, by political and financial elites. And there is the instant access to the wildest and most extreme ideologies and viewpoints on one’s smartphone. From Marxism to Catholic integralism, from black separatism to white nationalism, there are many candidates for what the essayist Wesley Yang has called the “successor ideology” to political liberalism. Each one is extreme.

The next president will face the dual challenges of a resurgent radicalism and an emergent population that is disconnected from the core ideas and practices of the United States of America. Not only will that president have to understand the contours of public opinion and address the institutional failures that lie behind it, but he also will have to formulate convincing justifications for the individual and group inequalities that accompany the development of free societies. In short, he will have to remember the answers.

The Culture of Repudiation

The evidence of generational alienation is stunning. Since 2001, the Gallup organization has asked Americans to describe how proud they are of their
country. The percentage of adults who say they are “extremely proud” to be American reached a high of 70 percent in 2003. It declined and plateaued in the high 50s for about a decade. Then it began to fall precipitously starting in 2015. In 2020, the number that said it is “extremely proud” to be American fell to a new low of 42 percent.

Extreme pride in American identity has declined among all major subgroups since 2016. But the numbers are lowest among young people, nonwhites, women, and college graduates. These groups predominate among the politically active millennials and Gen Zers. Just 20 percent of 18- to 29-year-olds said they are extremely proud to be American. A quarter of nonwhites and 34 percent of college graduates and women said the same.\textsuperscript{22}

In July 2020, YouGov released a survey on patriotism and politics. One question asked: “Which comes closest to your view of America?” The choices: “An exceptional country whose values, history, and political system are worthy of universal admiration” or “a country with its own unique strengths and weaknesses much like other countries.”\textsuperscript{23} Only a third of 18- to 29-year-olds said that America is exceptional. Among 30- to 44-year-olds, the number was just slightly higher at 37 percent.

When asked if they would describe themselves as patriotic, only 34 percent of 18- to 29-year-olds said yes. A greater number, 36 percent, said they are not sure. But they are sure that life in America is no picnic. Fully 59 percent of 18- to 29-year-olds said life in Canada is better than in the United States. Half said life in Sweden is better than in the United States. The under age 30 group was the sole age cohort in which majorities rated the quality of life in other countries higher than in America.

The YouGov pollsters asked if certain words are appropriate descriptions of American society. A 52 percent majority of 18- to 29-year-olds said American society is selfish; 41 percent said it is unfair. The most telling result was that a minuscule 7 percent said American society is just.\textsuperscript{24}

The Harvard Youth Poll conducted in March 2020 found that more 18- to 29-year-olds consider themselves “not very patriotic” (25 percent) than “very patriotic” (18 percent). Pollsters asked an open-ended question in which respondents were invited to say the words they associate with the term “patriot.” Here is what the pollsters discovered: “Republicans were more likely than Democrats to associate positive attributes. Republicans
used terms such as loyalty, pride, and responsibility; in contrast, many Democrats associated the word ‘patriot’ with racism/xenophobia and a general ignorance about the reality of America today.”

The heavily Democratic affiliation of millennials and Gen Zers suggests that these attitudes are prevalent among young adults. According to the 2018 national exit poll, voters age 18 to 29 supported Democrats 67 percent to 32 percent. Voters age 30 to 44—a span that includes the rest of the millennial cohort and some Gen Xers—went for Democrats 58 percent to 39 percent.

A 51 percent majority of 18- to 29-year-old Democrats told the Harvard pollsters that, instead of reforming the institutions we already have, “Our government has problems, and in order for them to be solved, we need to replace and create new institutions to address those challenges.” It was in this context that the youngest candidate for the 2020 Democratic nomination—the 38-year-old former Mayor Pete Buttigieg—vowed to abolish the Electoral College and expand the Supreme Court.

Young Americans belong to what the philosopher Roger Scruton described as a “culture of repudiation” that subjects to remorseless criticism, deconstruction, and revision “any aspect of the Western inheritance of which our ancestors were proud.” This hostility extends to the economic system. The Victims of Communism Memorial Foundation’s 2019 report “US Attitudes Toward Socialism, Communism, and Collectivism” found that millennial support for Communism rose to 36 percent from 28 percent in 2018. In the same period, favorable opinions toward capitalism decreased to 50 percent from 58 percent among millennials and to 49 percent from 55 percent among Gen Z. Among all age groups, support for capitalism is at 58 percent.

The murders of Ahmaud Arbery, George Floyd, and Breonna Taylor in the spring of 2020 brought questions of racial justice to the fore of public debate. Young adults had no doubt about the answers. In a July Wall Street Journal/NBC News poll, 65 percent of registered voters between age 18 and 34 said that American society is racist. A Gallup poll conducted the same month found that 81 percent of 18- to 34-year-olds agree that “major changes” are needed to policing in the United States. In a subsequent Gallup survey, 26 percent of Americans age 18 to 29 reported participating in a racial justice protest.
This disgust at America’s present is reflected back on America’s past. In a July Fox News Channel poll, 39 percent of registered voters under age 30 said our country’s founders are better described as “heroes.” That was the lowest number of any age cohort. It was also a mere 8 percentage points higher than the percentage of those under age 30 who said the founders are better thought of as “villains.”33 The 44-year-old Nikole Hannah-Jones, the lead author of the New York Times’ 1619 Project, was not a lonely and isolated voice when she wrote that “our democracy’s founding ideals were false when they were written.” Quite the opposite. She spoke for a generation.34

### A Godless Great Awakening

How do we account for this turn? It is worth noting that the revived interest in racial injustice about a decade ago coincided with the popular adoption of high-tech smartphones capable of streaming live video of encounters with police. Images of brutality or bigotry, communicated instantly across geometrically expanding social networks of activists and concerned citizens, propel outrage. They also spur action.

The George Mason University economist Tyler Cowen has observed that large-scale protests are increasing. And they are not limited to one place. “As 2019 enters its final quarter,” he wrote in a syndicated column, “there have been large and often violent demonstrations in Lebanon, Chile, Spain, Haiti, Iraq, Sudan, Russia, Egypt, Uganda, Indonesia, Ukraine, Peru, Hong Kong, Zimbabwe, Colombia, France, Turkey, Venezuela, the Netherlands, Ethiopia, Brazil, Malawi, Algeria, and Ecuador, among other places.”35 Now he can add America to the list.

These various protests had different objectives. What they shared was digital means of organization. Perhaps it was only a matter of time before the revolt against authority that information technology has fueled worldwide manifested itself in the United States.

Technology explains how civil unrest spreads. But it is not the cause of the dissatisfaction that millennials and Gen Zers feel toward their own country. Something else is at work. Partisan politics is not it, or at least not all of it. The decline in patriotism happened before the 2016 election. It may well persist after 2020.
Economics may bring us closer to the answer. Student debt, income inequality, and sluggish growth contribute to frustrated ambitions and diminished expectations. “The median net worth of households headed by Millennials (ages 20 to 35 in 2016) was about $12,500 in 2016, compared with $20,700 for households headed by Boomers the same age in 1983,” according to the Pew Research Center. Much of the difference is the result of indebtedness. And the pronounced wage gap between millennials who have college degrees and those who do not exacerbates the problem of economic insecurity.

However, as Glazer would be among the first to point out, economics does not determine social actuality. It is one’s ideas about the world, and about one’s place in it, that matter more. Millennials and Gen Zers have been cut off from the institutions that supply instruction in America’s past, equip young people to enter adulthood, and provide consolation, meaning, connection, and direction in the face of adversity.

Americans are woefully ignorant of their national story. In 2019, the American Council of Trustees and Alumni (ACTA) surveyed college graduates’ historical and civic knowledge. It found that 10 percent of 18- to 29-year-olds could identify James Madison as the father of the Constitution. Less than half knew that the Civil War began in 1861. Just 43 percent understood that Veterans Day commemorates the end of World War I.

Less than two-thirds of 18- to 29-year-olds grasped that the Fourth of July celebrates the Declaration of Independence. Fifty-five percent of 18- to 29-year-olds did not know the length of congressional terms. Forty percent believed that Brett Kavanaugh is chief justice of the Supreme Court. And 19 percent said Rep. Ocasio-Cortez was the architect of the New Deal.

In a 2016 report, ACTA examined the course requirements and offerings of 76 colleges and universities. The report concluded that “the overwhelming majority of America’s most prestigious institutions do not require even the students who major in history to take a single course on United States history or government.” Many of the schools that do not require majors to take a course in American history nevertheless insist they pass courses in non-American or non-Western history.

ACTA surveys in 2012, 2014, and 2015 found that less than 20 percent of college graduates “could accurately identify—in a multiple choice survey—the effect of the Emancipation Proclamation.” Forty-two percent were able
to situate the Battle of the Bulge in the chronology of World War II. “Over one-third of the college graduates surveyed could not place the American civil war in its correct 20-year time frame.” A generation that does not know American history cannot be expected to revere it.

No society can function for long when large swathes of its population believe that its foundations are corrupt and its hierarchies of power and wealth are wicked. No society can function for long when the men and women who are expected to inherit it do not enjoy the benefits of family, association, and faith. But this is exactly the type of society that is coming into being in the United States of America.

Millennials have not established their own households at the same rate as previous generations. A May 2016 Gallup analysis found that 59 percent of millennials were single and had never married. Four years later the Pew Research Center announced that millennials “are less likely to live with a family of their own than previous generations were at the same stage of life.” More than half of millennials remained unmarried; 44 percent are neither married nor cohabiting. When millennials form families, they are smaller than those that came before. Millennial women delay childbirth and have fewer children than their forebears did.

The Corporation for National and Community Service puts out a “Volunteering in America” report based on 2018 Current Population Survey census data. It found that millennials tend to have lower levels of participation and engagement than older generations do. Just 21 percent of millennials volunteer, compared to 36 percent of Gen Xers, 31 percent of boomers, and 25 percent of the silent generation. Meanwhile, 21 percent of millennials participate in local groups or organizations, compared to 28 percent of Gen Xers, 32 percent of boomers, and 34 percent of the silent generation. And 12 percent of millennials donated more than $25 to charity, compared to 58 percent of Gen Xers, 63 percent of boomers, and 62 percent of the silent generation. The Gen Zers volunteer slightly more than millennials do but otherwise behave similarly: 26 percent of them volunteer, 21 percent participate in local groups or organizations, and 20 percent donate more than $25 to charity.

In October 2019, Pew found that rates of religious affiliation and attendance continue to fall. “Furthermore, the data shows a wide gap between older Americans (Baby Boomers and members of the Silent Generation)
and Millennials in their levels of religious affiliation and attendance.” Forty-nine percent of millennials said they are Christian. Forty percent said they have no religious affiliation. Ten percent identified with a non-Christian religion. Around a third of millennials attend religious services at least once a month. “Indeed,” the report stated, “there are as many Millennials who say they ‘never’ attend religious services (22%) as there are who say they go at least once a week (22%).”

Not only do young adults decline to affiliate with and practice a religion, but they also look unfavorably on religion itself. In November 2019, the American Perspectives Survey conducted by the American Enterprise Institute looked at the religious practices of 18- to 29-year-olds. That age span includes Gen Zers and millennials. Fifty-five percent said religion causes more problems than it solves. Fifty-nine percent said religious people are less tolerant than others are. These attitudes are pretty much the opposite of those held by the general population. And they herald future antagonism among nonbelievers, the unaffiliated, and the faithful.

It may be that millennials and Gen Zers devote the same energy to politics and social and online activism that their ancestors gave to religious practice. The Georgetown political philosopher Joshua Mitchell has noted the similarities and differences between the contemporary student revolt and historical episodes of religious fervor. “Identity politics is an American Awakening without God and without forgiveness,” he wrote not long after George Floyd’s death. “Like Christianity, it seeks to overcome the curse of death. Like Christianity, it seeks to overcome sin. Like Christianity, it recognizes that the problem of sin is deeper than the problem of death, and has precedence over it.” Unlike Christianity, however, identity politics looks for redemption in this world rather than in the world to come.

Glazer devoted a 1967 lecture at Brandeis University to the relationship between the weakness of religion and the strength of political commitment. He asked: “Does social action meet the same needs as religion?”

Are the two today in a complementary relationship? Certainly this would fit in with those extreme religious thinkers who see even in militant Communism the fulfilment of deep and sound and fundamentally religious instincts—the search for social
justice, the urge to transcend the individual and his interests with something higher, the attempt to create a true community, bound together with more than material and contractual ties, here on earth.\textsuperscript{44}

Glazer spent the bulk of his speech reviewing the New Left’s politics, art, and lifestyle. “There are elements in the contemporary movement of social action that are akin to religion,” he concluded, “but to what religion?”\textsuperscript{45} He had no clear answer. Glazer admired the New Left’s sense of ethics and social justice, but he also feared its utopian inclinations. “The convictions that man is limited, that inevitably his social effort is limited, that no society can ever achieve Nirvana, seem to me healthy and good ones for man,” he said.

What frightens me in the new student movement—I have already described a good deal that exhilarates me—just as what frightens me in the single-minded utopia-seeking of militant Communism, different as the two movements are, is that these necessary convictions as to man’s human limitations have been set aside.\textsuperscript{46}

Glazer’s fears were justified. And remain so.

\textbf{The Politics of Legitimacy}

These technological, political, economic, pedagogical, and institutional distortions have done more than contribute to millennial and Gen Z anomie. They also have produced a crisis of legitimacy in the United States. For many Americans, the federal government neither functions according to expectations nor conforms to accepted ideas of democratic accountability. The loser of the popular vote has been elected president twice in the past 20 years. Congress has not passed a budget including all appropriations bills since 1996. The Supreme Court has introduced sweeping changes into marriage and employment law.

There are plenty of reasons for voters to be angry. Government agencies failed to stop the terrorist attacks of September 11, 2001. They mistakenly
said Saddam Hussein possessed stockpiles of weapons of mass destruction before the 2003 Iraq War. They could not prevent (and may have encour-
egaged) the global financial crisis of 2008. And they collapsed in a heap of fecklessness and backbiting when the coronavirus arrived in America in 2020.

Among the harshest disappointments is that the election of the first black president neither improved race relations nor reduced the dispar-
ties between African Americans and whites. The persistence of racial bias and inequality despite half a century of political activity, government effort, and gradual improvement remains a profound source of frustration and disillusionment, not only among blacks but also increasingly among whites. This perennial American dilemma is made all the more acute in circumstances of mass immigration and ethnic diversification.

The killing of George Floyd was the catalyst for a cultural and social reckoning with America’s racist past. It inspired renewed efforts to bridge the racial divide. The president who takes office in January 2021 will preside over this national revaluation. He will have to respond to popular interest in matters of race and ethnicity and to all the possible disturb-
bances such interest can bring. And he will have to find ways to convince the rising generation that they are not about to become the trustees of an irredeemable polity.

Fortunately, that president will have the memory and work of Glazer to assist him. An advocate for racial equality, integration, and assimila-
tion, Glazer’s empiricism and meliorism also made him an opponent of revolutionary upheaval and of policies that resulted in perverse outcomes. Throughout his writings, Glazer insisted on the importance of complexity, partiality, nuance, understanding, and limits. He understood that disparity does not necessarily imply discrimination. He taught that the American protection of freedom under law is a legacy to be cherished.

Glazer was open-minded. In his 1975 book *Affirmative Discrimination: Ethnic Inequality and Public Policy* and his 1983 collection *Ethnic Dilemmas, 1964–1982*, he emphasized individual over group rights to reduce ethnic discrimination. This led him to oppose racial preferences in university admissions and government contracting. His goal was maintaining social stability while allowing African Americans to participate in the model of intergenerational mobility in which immigrant groups had prospered.
In 1982 he wrote:

Without endorsing the rigors of the Americanization programs of World War I and the succeeding decades, I can still see the virtue of forging a single society out of many stocks, and can still see that this process deserves some public guidance. . . . When every group insists it must match every other group in economic resources, occupational status, and political representation, and that public power be used to attain these ends—and to maintain the existence of the group as a separate group, to boot—we have a sure recipe for conflict. We will have to do better, and one way of doing so is to explore whether the much maligned goal of assimilation does not still have much to teach us.49

By 1997, when he published We Are All Multiculturalists Now, Glazer had come to believe that the persistence of racial disparities in educational attainment and income justified the continuation of affirmative action and the introduction of multicultural curricula in some schools. “The critics of multiculturalism have much wisdom on their side, and on many issues I join them,” he wrote.

But we now pay for our failure to realize ideals, and the payment cannot be to insist ever more forcefully on the ideals, while ignoring the realities that contradict them. For a while we will be devoting great attention to American diversity in our education and public policy, not without some distortion and distention of the larger picture in the process. Despite this, I believe the elements of the American system that hold us together, in particular the basic political rules that we have adhered to for so long, will permit us to escape the extremes of rancor and divisiveness that the critics of multiculturalism fear.50

The extremes of rancor and divisiveness may seem awfully present today. Still, what the next president ought to take from Glazer is not necessarily any specific programmatic recommendation but an overarching cast of mind.
Even as he recognized a place for a sort of multiculturalism, Glazer did not believe in totalistic solutions or major government undertakings.

“Government has been as ineffective in overcoming segregation at the elementary school level as it has been in overcoming prevailing residential segregation, though government programs have tried to do so,” he wrote.

Government action can never match, in scale and impact, the crescive effects of individual, voluntary decision. This is what has raised group after group in the past; this is what is breaking down the barriers of ethnicity and race today.51

It is this focus on individuals, and on the mediating structures through which individuals participate in the larger society, that ought to shape the president’s approach to student protest and racial injustice. “The forces that will produce the changes we are looking for are individual and voluntaristic, rather than governmental and authoritative,” Glazer wrote in We Are All Multiculturalists Now. “To adapt the title of Glenn Loury’s book, it will have to be ‘one by one,’ individual by individual, family by family, neighborhood by neighborhood. Slowly as these work, there is really no alternative.”52

Nor is there any alternative for America’s president. Soon he will hear the arguments of this generation of impassioned, idealistic, but, in the end, misguided young radicals. And so much depends on how he responds. For if he fails to remember the answers, the president will lose more than an argument. He will lose a country.
Notes


7. Glazer, Remembering the Answers, 165.

8. Glazer, Remembering the Answers, 178.


10. Dorman, Arguing the World, 149.

11. Glazer, Remembering the Answers, 294.

12. Glazer, Remembering the Answers, 3.


17. Glazer, Remembering the Answers, 306.


21. Wesley Yang (@wesyang), “Successor ideology’ in its bland but vaguely minatory non-specificity may be the correct term for the melange of academic radicalism now seeking hegemony throughout American institutions. It’s my own coinage, but perhaps others will adopt it,” Twitter, May 24, 2019, 11:38 p.m., https://twitter.com/wesyang/status/113212866156142080?lang=en.


27. Harvard University, Institute of Politics, “Harvard Youth Poll.”
39. John Fleming, “Gallup Analysis: Millennials, Marriage and Family,” Gallup,
44. Glazer, Remembering the Answers, 153.
45. Glazer, Remembering the Answers, 162.
46. Glazer, Remembering the Answers, 164.
51. Glazer, We Are All Multiculturalists Now, 145.
52. Glazer, We Are All Multiculturalists Now, 146.
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