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# Making Ends Meet

## How Should We Spread Prosperity and Improve Opportunity?



# About This Issue Guide

The purpose of this issue guide is to help us talk productively about a difficult issue that concerns all of us.

## Deliberation

It's not a debate. It's not a contest. It's not even about reaching agreement or seeing eye-to-eye. It's about looking for a shared direction guided by what we most value.

It's about examining the costs and consequences of possible solutions to daunting problems, and finding out what we, as a society, would or would not accept as a solution.

## A Framework

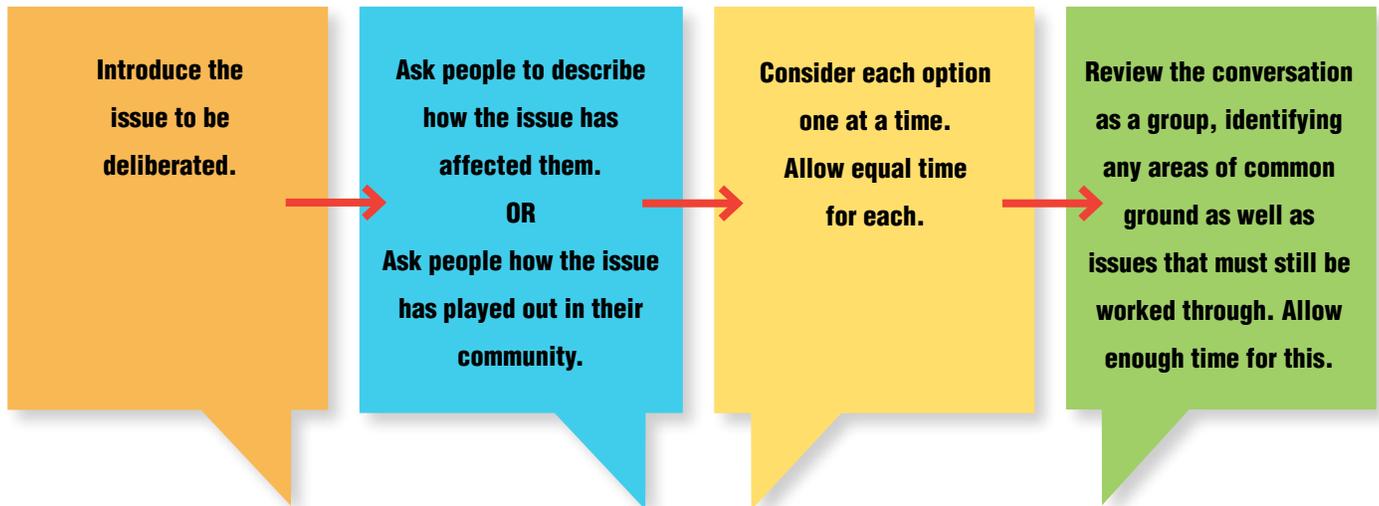
This guide outlines several alternative ways of looking at the issue, each rooted in a shared concern. It provides strategic facts associated with each approach, and suggests the benefits and drawbacks of possible solutions. We engage in deliberation by:

- getting beyond the initial positions we hold to our deeper motivations—that is, the things we most care about, such as safety, freedom, or fairness.
- carefully weighing the views of others and recognizing the impact various options would have on what others consider valuable.
- working through the conflicting emotions that arise when various options pull and tug on what we—and others—consider valuable.

It is important to remember that, as a group, we are dealing with broader underlying concerns that are not defined by party affiliation and that your work here is to dig down to the basic values that define us as human beings and Americans rather than as liberals and conservatives.



## One Effective Way to Hold a Deliberative Forum\*



\*This is not the only way to hold a forum. Some communities hold multiple forums.

### Ground Rules for a Forum

Before the deliberation begins, it is important for participants to review guidelines for their discussion.

- **Focus on the options.**
- **All options should be considered fairly.**
- **No one or two individuals dominate.**
- **Maintain an open and respectful atmosphere.**
- **Everyone is encouraged to participate.**
- **Listen to each other.**

# Making Ends Meet

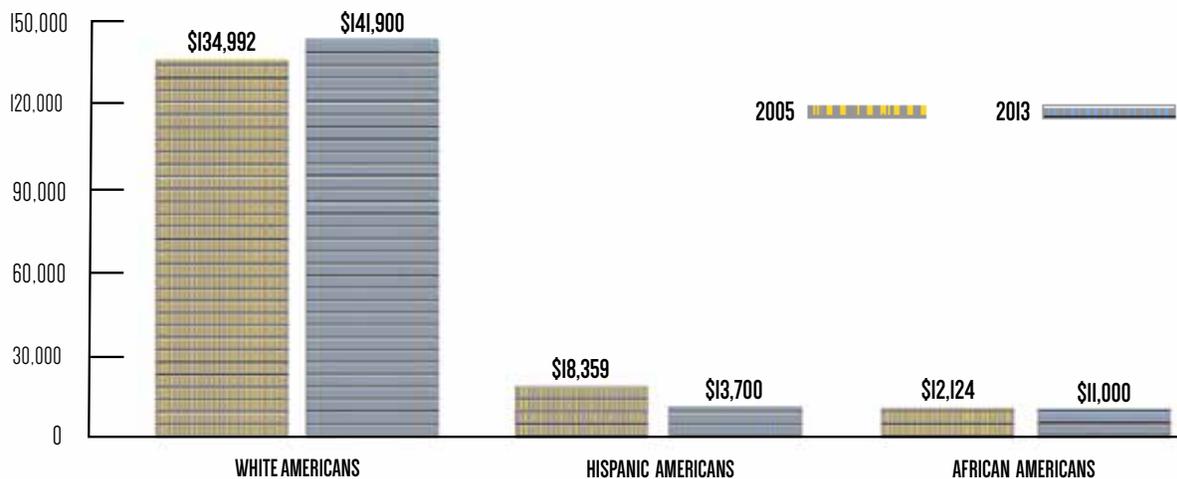
## How Should We Spread Prosperity and Improve Opportunity?



FOR MANY AMERICANS, the recovery from the 2007 recession, a recovery that officially began in 2009, feels very remote, or nonexistent. Even as the stock market surges and millions of jobs have been created, they see a very different picture:

- Barely half of Americans responding to a Gallup poll consider themselves middle class, down from 63 percent in 2008.
- Unemployment figures do not include at least four million Americans who have given up looking for work.
- Almost half of all Americans say they would have to borrow or sell something in order to raise \$400.
- A typical white household is 13 times wealthier than a typical African-American household and 10 times wealthier than a typical Hispanic household, a number significantly wider than even a few years ago.

## MEDIAN NET WORTH OF HOUSEHOLDS



Compiled from Pew Research Center, Survey of Income & Program Data, 2004 panel, and *Wealth Inequality has Widened Along Racial Lines Since End of Great Recession*, pewresearch.org., Dec. 12, 2014.

The \$17 trillion United States economy is large and complicated. At one end are more than 45 million people living in poverty; at the other are individuals and businesses with vast wealth. There are also people doing a brisk business on the Internet for everything from homemade jewelry to custom cars. A robust economy is vital to our country—it boosts our international standing, helps keep us secure, and most importantly, makes Americans’ lives better. But many people feel like something basic about the economy changed, even before the recession. Areas of persistent poverty, fewer lifetime employment opportunities,

According to Census Bureau figures, the share of households in the middle-income range of \$35,000-\$100,000 dropped to 43 percent by 2013, while the share of households making less than \$35,000 rose to 34 percent. In practical terms, that means people have a much tougher time paying the bills and saving for retirement and helping their kids with college, not to mention vacations or going out to dinner sometimes.

Lisa Land of Eden, North Carolina, told the *New York Times* that she considered herself middle class until she was laid off from a textile factory in 2008. “We wouldn’t have a

## We used to take for granted that people would be better off financially from one generation to the next.

vanishing industries, and the challenge of reaching and staying in the middle class are making many Americans feel insecure.

We used to take for granted that people would be better off financially from one generation to the next, but some of today’s young people doubt they will experience the prosperity enjoyed by their parents and grandparents.

lot of money, but we had everything that we needed,” she said. “Now, there’s really no extra for anything. No vacation. No dining out.” Now, like many Americans, she has trouble making ends meet each month.

Why is all of this happening? Some people point first to individual accountability. “Don’t spend what you don’t have.” “It’s all about responsibility.” They talk about personal

qualities—making good decisions, being willing to accept sacrifices, and passing those lessons on to children—as ways to get ahead.

But there are also larger forces at work that punish the average worker. Corporations often send jobs overseas and put shareholder profits ahead of compensation for workers; health care is at least six times more expensive than 30 years ago, while wages have stayed flat or even dropped; the cost of daycare—a critical consideration for many working parents—soared 39 percent between 1990 and 2011; and technology, while creating opportunities for many, has erased or drastically altered entire job categories.

“America lost its exceptional economy because too many Americans stopped doing the most exceptional things they could,” wrote Jim Tankersley in the *Washington Post*. “Too many middle-class workers were forced into low-skill, low-paying jobs. Too many people born poor were knocked off course on their way to gaining more valuable skills.”

Many Americans still believe in the basic notion that anyone who works hard should be able to support a family and get ahead. What can we do to make that happen?

*While wages have stayed flat or dropped, the cost of daycare has soared 39 percent.*



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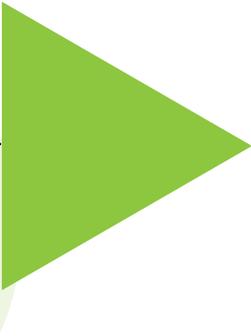
## A Framework for Deliberation

This issue guide asks: *What should we do to make sure Americans can achieve economic security?* It presents three different options for deliberation, each rooted in something held widely valuable and presenting a different way of looking at the problem. No one option is the “correct” one, and each option includes drawbacks and trade-offs that we will have to face if we are to make progress on this issue. The options are presented as a starting point for deliberation.

**Option 1:** Focuses on giving people the tools to start new enterprises that will improve their circumstances and spur economic growth, as well as removing barriers to small-business growth.

**Option 2:** Holds that we should repair and strengthen the safety net to make sure there are safeguards in place that apply equally to all people.

**Option 3:** Says we should reduce the large gaps between the very rich and the rest of society, and make it easier for people to get into the middle class.



# Option 1:

## Create New Opportunities



GICELA LÓPEZ DREAMED OF OWNING HER OWN BUSINESS ever since she moved to the US as a teenager. When a friend told her about a taco business for sale in Brooklyn’s Bushwick neighborhood, she saw her opportunity.

“We didn’t know anything about cooking,” she told the *New York Times*. “At the beginning, we were only making \$40 or \$50 a day.”

Today, Taqueria Izucar makes ten times as much each day and wins awards for the city’s “best tacos.”

This option argues that we need to make sure the conditions are right for people like López to start new businesses and keep them going. According to the US Small Business Administration, small businesses account for half of all private-sector jobs and now provide two-thirds of all new jobs. And the rewards of business ownership are not just monetary; Gallup reported that small business owners were



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**Technology has increased opportunities for higher skilled workers.**

most strongly motivated by being in charge of their own financial future.

It's hard to imagine an era with more opportunities than there are today. The explosive growth of the Internet has connected businesses to customers like never before and erased many barriers to starting a business. Some people are building thriving new enterprises, while others are bringing in extra money using online marketplaces like eBay, Etsy, Uber, and AirBnB.

Technology has opened up opportunities in a variety of fields. "Coding schools" like Galvanize and Dev Boot-

***Judy Sweetland, owner of Sweetland's Heating and Cooling, discusses opportunities for women in HVAC.***



PHOTO COURTESY OF TIDEWATER COMMUNITY COLLEGE



## What We Could Do

### Support Small Business

Small businesses are one of the major engines driving the US economy. While large companies like Walmart and Apple get the attention, small businesses issue most of the paychecks. According to the Small Business Administration, there are 28 million small businesses across the country, and they provide 55 percent of all jobs and 54 percent of all sales. What's more, over the last 25 years, while large corporations downsized and eliminated 4 million jobs, small businesses added 8 million.

Yet, "States continue to compete to lure companies to build new offices and plants—like the Tesla Gigafactory in Nevada—by offering tax breaks and multi-billion dollar incentive packages," the *Harvard Business Review* pointed out in spring 2015. "It is sometimes more effective for a region to grow its small businesses than to get caught up in a bidding war for elephants—a process that too often helps only the elephant."

One successful strategy for growing small businesses is forming regional partnerships among government agencies, universities, and business groups



*It took Amber Sutton, owner of Dogtopia, six months to close on a small business loan.*



*Boris Cochajil works on computer art development at a job-training session at the Aurora Downtown Arts Center in Aurora, Colorado.*

to make cities and towns more receptive to small businesses. NorTech, in northeastern Ohio, was created in 1999 after the region's major steel and automotive industries closed or downsized. NorTech formed "incubators" in the region that work to meet the needs of small businesses. One such business is Phycal, a biofuels startup in Cleveland that has grown to 40 employees in the last few years and is now building a larger facility. NorTech helped form a collaboration between researchers at two universities and a high-tech nonprofit to boost the region's research into biofuels and other alternative energy sources.

Better, more flexible financing is also a vital need for most small businesses. Following the recession, many banks have been slow to open up their credit lines. We need to do more to encourage banks and other lending institutions to extend loans to small businesses. More banks and nonprofits should follow the example of the Rhode Island Black Business Association, which partnered with a regional bank to provide more than \$1 million in loans to local minority businesses.

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## Job Training/Retraining for Today's Economy

The Internet has streamlined transactions and connected people and services, creating opportunities but also eliminating many store-front businesses that could provide a comfortable living 20 years ago. To encourage entrepreneurs and small business creators, we must help people figure out what skills, services, and products are needed most and point them toward the right education and training. This is particularly challenging in the 21st century, when the power of the Internet to streamline transactions and connect people and services has destroyed once-vital businesses like travel agencies and movie rental stores. We should make sure that minority businesses—which are particularly underrepresented in high-tech fields—can access the training and tools needed to establish a digital presence.

Considering the large number of long-term unemployed workers, it is vital that we continue to expand and improve job training and retraining programs throughout the US. Many effective efforts are taking place at the state and local

levels. For instance, in Decatur, Illinois, a nonprofit called Homework Hangout Club provides apprenticeships and job placement in partnership with trade unions for plumbers, carpenters, and painters. Central New Mexico Community College is providing on-the-job training in technology fields, with plans to expand the program across the state.

Introducing entrepreneurial concepts in high school could increase the number of future small business owners. At Barrington High School in Illinois, students finish their business incubator classes by pitching ideas for new businesses to a “Shark Tank”-style panel of potential investors. In 2014, community organizations pooled their resources to provide \$80,000 in seed money for student ventures.

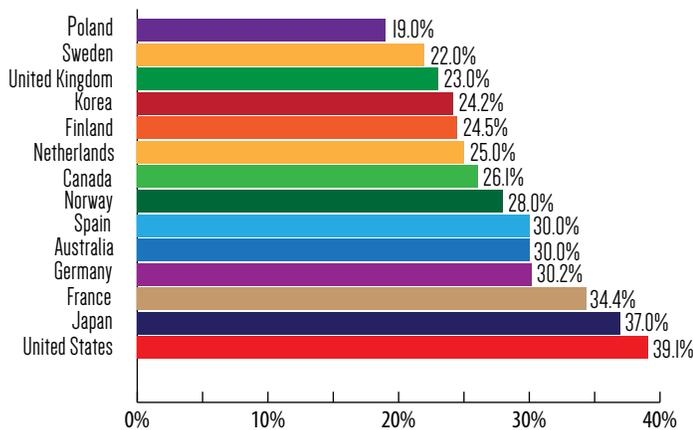
## Reduce Taxes

One way to spur business creation, as well as investment in new businesses, is to put more money in everyone's pocket by cutting taxes, especially corporate taxes. A 2012 study at Princeton University found that tax rates influence business creation more than economists had long thought.

The United States has the highest corporate income tax rates in the world. Some say that reducing corporate taxes by several percentage points would not only boost businesses' bottom line but could actually bring more money into the US Treasury. The Tax Foundation reported in 2014 that Canada had increased its corporate tax revenues over a 15-year period by lowering and reforming its corporate tax rates.

“The tax law that we have today is very archaic,” Apple's CEO, Tim Cook, said on National Public Radio. “It doesn't allow you to bring back money unless you pay tax both internationally and then pay the full tax domestically as well. And so the truth is almost nobody's bringing back their money. It's not an Apple-unique thing. And so what needs to happen—we need comprehensive tax reform.”

## CORPORATE TAX RATES



Sample Corporate Tax Rate by Nation, 2013

Source of Data: taxfoundation.org



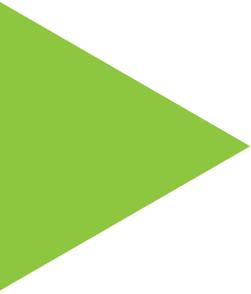
## Trade-Offs and Downsides

There are risks we would have to accept if we pursued this approach.

- Encouraging small business ownership places a great deal of responsibility on individuals, and not everyone is willing or able to accept that responsibility. And many small businesses are bound to fail—one study estimated that only about half of all small businesses survive the first five years. When businesses close their doors, their employees become everyone's responsibility until they can find work again.
- Reducing taxes, particularly for corporations, may reduce the revenue available for other programs, including those that help poorer Americans. And there is no guarantee that lowering corporate taxes will increase the number of workers corporations hire or the wages they pay.
- Making business loans easier to obtain means that both banks and those applying for financing will have to accept more risk, since many new businesses fail.
- Partnerships between state and city agencies, universities, and businesses could expedite job training and the development of new businesses, but this relies on those groups choosing the *right* skills and businesses to focus on.

### Questions for deliberation . . .

- 1 Do you think everyone is able to start their own business?
- 2 What is our collective responsibility to the employees of small businesses when those businesses fail?
- 3 Do large corporations deserve the same consideration as small businesses, since both are still employers?



# Option 2:

## Strengthen the Safety Net



DEREK SMITH, 34, WORKED FOR 13 YEARS at the US Steel blast furnace in Fairfield, Alabama—until layoffs hit in the fall of 2015. “It’s a punch in the gut,” Smith told the *Birmingham News*. “Something that has been steady for years isn’t there anymore.”

Smith, the father of a two-year-old and a five-year-old, volunteers at a local food pantry because he knows 1,100 other US Steel employees were also laid off and needed help.

“Lord knows, I’d appreciate it when it comes my turn. There are a whole lot of people hurting,” he said. Smith is looking for another job that pays as well, but he said, “More than likely, that’s not going to happen. You just have to adjust.”



*Steel towns across the country face an uncertain future.*

Smith and his coworkers lost their jobs because, basically, the market changed. US Steel is a multinational corporation with more than 40,000 employees in a hard hit industry. This facility wasn't needed anymore.

In the last decade, millions of people have found themselves out of work for an extended period, and many are still unemployed. According to this option, it is critical for the nation's prosperity that we do everything possible to strengthen the safety net so that when people lose their jobs, they do not have to fear losing everything and putting their children

at risk while they look for another job. Every individual bears some responsibility for their success or failure, but there are also factors beyond our control.

Conditions in the workplace have changed drastically for Americans. Fewer people work with one company for decades, employee benefits have shrunk, and the Internet, automation, and globalization have reduced the number of American jobs. More frequent job shifts, greater responsibility for one's own retirement, and the constant need to learn new skills are "the new normal."

While higher productivity can help keep us competitive globally, it comes at a human price. We need to make it easier for workers to successfully adjust to these changes by protecting them from catastrophic losses. It also matters to the economy—people in Derek Smith's circumstances don't buy as many things.

If we can keep workers in their homes, make sure they can pay their bills, and shorten the time they are jobless, it will put them in a better position to handle changes in the workplace and will make our workforce more flexible.

*The food bank in Egg Harbor, New Jersey, has seen an 11 percent increase in food distribution since four of the area's major employers closed.*



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## What We Could Do

### Boost Unemployment Insurance and other Benefits

A major component of the safety net is unemployment insurance, which pays workers 40 to 50 percent of their former wages (up to a weekly maximum), usually for about six months. During the last recession, unemployment benefits were temporarily extended to two years, but that expired in 2013. Except for a temporary raise that expired in 2011, the basic unemployment tax rate has stayed the same since 1983 and is not adjusted for inflation.

Unemployment benefits are not welfare—they are drawn from payroll taxes paid by employers for the specific purpose of keeping laid-off workers from becoming destitute (although when benefits were extended during the recession, the extra came from the federal budget). The program is both humane and practical—workers and their families are less likely to end up homeless or starving, and the unemployment benefits they spend help keep the economic engine going.

As *USA Today's* editorial board said in 2014, “The most aggressive critics insist benefits merely incentivize people to stay out of work. They should try being jobless. Economists say benefits raise unemployment very slightly by allowing

people to be choosier when looking for a job, but the effect is tiny compared with other factors.” Also, despite a widely held misperception, workers receiving unemployment benefits must prove they are looking for work.

One simple step would be to slightly increase the federal unemployment tax employers pay from 0.6 to 0.8 percent of wages. The Congressional Budget Office estimates that a 0.2 percent increase would raise \$14 billion over the next decade, making it easier to reinforce the safety net for workers and their families.

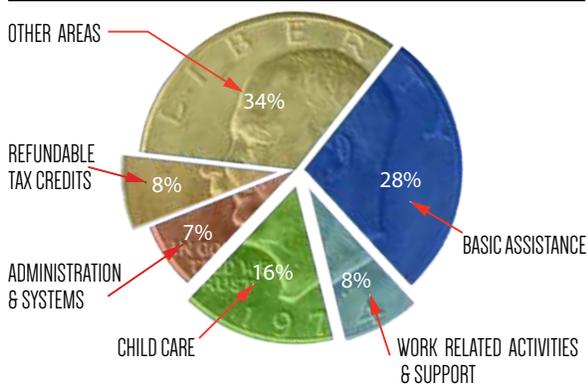
We also should reform and strengthen Temporary Assistance for Needy Families (TANF), a \$16 billion program aimed at helping families in dire need, so that fewer parents with children have to face hunger or homelessness. A 2015 report by the Center for Budget and Policy Priorities found that, after inflation, the program had shrunk by one-third since 1996, and states were spending more than 40 percent of their TANF funds on things other than actual aid to needy families. Putting more money into the program to keep up with inflation, and ensuring that TANF money is actually directed to those in need, would help shore up the safety net for many families.

### Make Benefits Portable

Our 21st-century economy is relying, in part, on mid-20th-century arrangements for workers' health insurance, retirement, and other benefits. It made more sense when people worked for one company for decades, or even for their entire careers; it makes less sense today.

The Affordable Care Act, by making health insurance easier to obtain outside of employers, was a step in this direction, but this option says we can do much more to simplify and streamline the system. We need to disconnect health insurance, retirement plans, even unemployment insurance from employers and make them more accessible to workers. Not only would it be better for workers, it would make the economy more flexible.

**USES OF FEDERAL AND STATE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES, 2013**



NOTE: Total does not add up to 100% due to rounding  
Source: Center On Budget And Policies Priorities | cbpp.org



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*Heather Phinney works as a “freelance milker” at a farm in Oregon. A proposed “hour bank” would keep track of benefits for self-employed workers.*

Our current system of benefits makes life more complicated for all workers and simply doesn’t address the so-called “gig economy”—the growing number of people considered “freelancers” who are self-employed and often work for more than one client. “Whether we’re software programmers, journalists, Uber drivers, stenographers, child-care workers, TaskRabbits, beauticians, plumbers, Airbnb’rs, adjunct professors, or contract nurses—increasingly, we’re on our own,” economist and former Secretary of Labor Robert Reich said.

We need a new system of benefits, not tied to employers but instead administered by nonprofits, unions, or even faith-based organizations. US Senator Mark Warner (D-VA) has proposed one possible solution called an “hour bank,” administered by a nonprofit or other third party, which would keep track of self-employed workers’ hours and administer benefits accordingly.

### **Shore Up Social Security**

Whatever else we do to make workers better able to weather the shock of losing a job, we should put Social Security on a better financial footing so that people can reasonably expect to have a minimum level of support when they retire.

Current projections estimate that Social Security will be fully funded for at least another 19 years; payments will need to be reduced at that point if no reforms have been made. We need to make adjustments now to ensure that workers can expect to have Social Security available for decades to come.

The good news is that financially it is not a difficult fix. If we were to raise or abolish the salary cap for Social Security withholding (now capped at the first \$117,000 of income) and gradually increase the Social Security tax on paychecks from 6.2 to 7.2 percent (an annual increase of just 50 cents per week for someone earning \$50,000), we would make Social Security solvent for at least an additional 20 years. Spread out over all workers, most would barely notice these changes—but we have to muster the political will to make it happen.

### **Put People to Work**

The United States needs about \$3.6 trillion worth of new or improved roads, bridges, ports, and airports, all of which would grow the economy. We also need to keep people working. This option says we should be doing both.

Like the Works Progress Administration of the 1930s, local, state, and federal governments could put people to work on projects that expand and repair our roads, bridges, and other infrastructure. It could be financed in several ways, one of which is the National Infrastructure Bank, an idea that has languished in Congress since 2007. While many of these jobs would primarily be in construction and related fields, the projects’ ripple effects would put Americans to work in many different fields.

When the website Politico surveyed the nation’s big-city mayors in 2015 about their most pressing needs, infrastructure was at the top of their list. One mayor said, “We must do what we can on our own, locally and regionally, and support Washington to get past gridlock and invest in infrastructure that will create quality jobs and stimulate sustainable quality jobs.”



## Trade-Offs and Downsides

- While most people do want to work and will continue to look for their next opportunity, extending the length of unemployment benefits could remove some of the motivation people have to find that next job. And increasing unemployment taxes will cut into companies' profits.
- Making changes to Social Security and Temporary Assistance for Needy Families, and creating systems for overseeing pension funds and unemployment taxes for freelancers, will require political wrangling in a time marked by partisan gridlock. Strengthening Social Security will likely call for higher payroll taxes.
- If government starts providing more jobs directly through infrastructure projects, we would be increasing the government's role in the economy, rather than primarily leaving employment to private companies.

### Questions for deliberation . . .

- 1 What kind of help do you want your neighbors to receive when they're out of work?
- 2 What sacrifices are you willing to make to ensure that programs like Social Security and unemployment insurance remain viable?
- 3 How much responsibility do we have for workers who are self-employed?



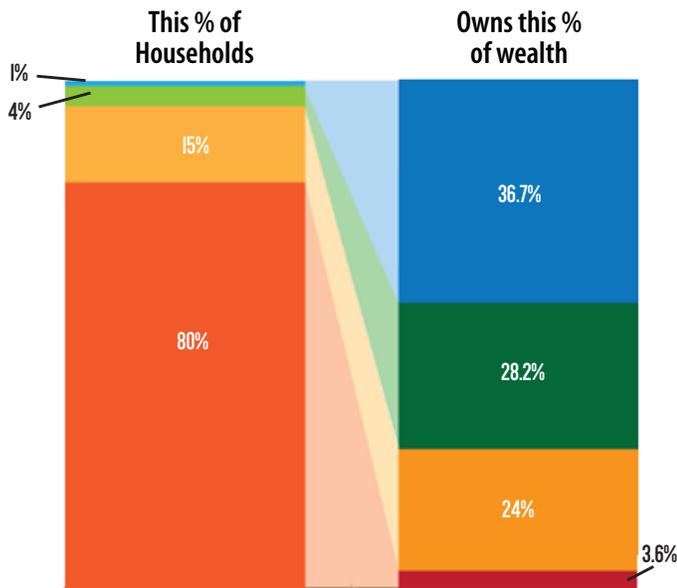
# Option 3:

## Reduce Inequality

THE 400 WEALTHIEST AMERICANS IN 2014 were worth a combined \$2.3 trillion, *Forbes* magazine reported—more than the entire gross domestic product of Canada. The \$28.5 billion in *bonuses* given out by Wall Street banks in 2014 were equal to twice the annual salaries of a million Americans who work for minimum wage, according to the online magazine *Salon*.

However, the typical American household in 2013 was worth \$81,400 after debts—40 percent less than in 2007, the Pew Research Center found. The typical white household's net worth in 2013 was

## US Distribution of Wealth 2013



Source of data: PEW Research Center, [www.pewresearch.org/fact-tank/2015/09/22/the-many-ways-to-measure-economic-inequality](http://www.pewresearch.org/fact-tank/2015/09/22/the-many-ways-to-measure-economic-inequality)

\$141,900, while a typical African-American household's net worth was just \$11,000 and a typical Hispanic household's net worth was \$13,700.

A certain amount of unevenness is expected, and even positive—it helps drive people to succeed and become wealthier. But this option holds that too much income inequality is both morally wrong and economically damaging; if too much wealth is concentrated in the hands of a few, it begins to affect everyone else. We are no longer in the same boat. If people start to think the system is fixed to favor the wealthy, they are less likely to invest their time and money in taking risks and trying to move up.

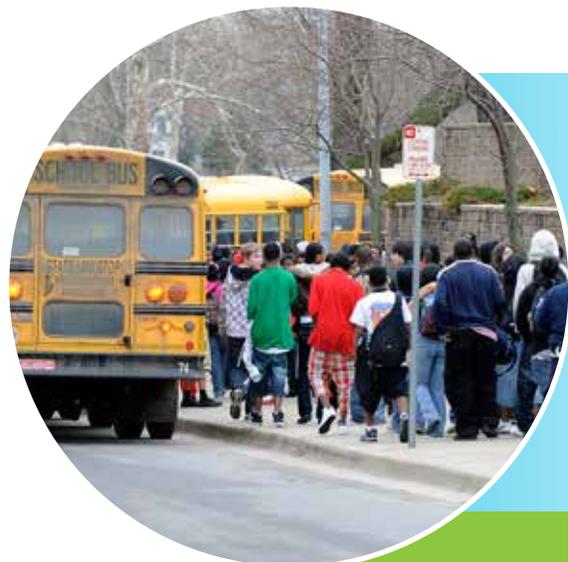
It is not right that CEOs make hundreds of times more than their employees even as their companies cut workers' hours to avoid paying overtime and offering benefits. "We are creating a caste system from which it's almost

impossible to escape, except for the few with exceptional brains, athletic skills or luck," Peter Georgescu, chairman emeritus of Young & Rubicam, a major New York advertising agency, wrote in the *New York Times*. "That's why I'm scared. We risk losing the capitalist engine that brought us great economic success and our way of life."

That motivation may already be flagging. Pew Research found in 2012 that 85 percent of those surveyed think it is now harder to stay in the middle class, and half pointed to banks and large corporations as being among the principal culprits. Also, when asked if hard work still pays off, 63 percent agreed, down from 74 percent a decade earlier.

Part of the solution, according to this option, must involve greater redistribution of wealth. This is not a novel approach—our system already moves dollars from the pockets of wealthier Americans to those who have less.

*Parents and school districts sued the state of Kansas in 2001, arguing the state had harmed students because spending cuts in poor schools resulted in lower test scores.*



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## What We Could Do

### Adjust Tax Rates

Our income tax system is called “progressive” because the more money you make, the greater the share taken by the government. A married couple under 65 making less than \$20,300 pays no income tax at all, while a married couple under 65 making \$500,000 could pay more than a third of their income in taxes. Similarly, some of the poorest states receive far more in federal spending than their residents pay in taxes.

This option holds that the question is not *whether* to redistribute wealth but *how much*. As recently as the late 1940s, all income over \$200,000 (\$2 million in today’s dollars) was taxed at a rate of 94 percent. While returning to a rate that high is not on the table, we could afford to raise the top tax rates a few points.

As we raise taxes on wealthier Americans, according to this option, we also must address the gap by lowering them on those who earn less. One way to do this is to increase the Earned Income Tax Credit, which is widely considered an effective means of assisting low-income working families.

### Increase Workers’ Pay

Americans love low prices, but it is low wages, in part, that make low prices possible. For example, taxpayers may not realize they help support Walmart’s employees. A 2013 House of Representatives study found that low wages in just one Walmart Supercenter cost taxpayers between \$900,000 to \$1.75 million per year in government subsidies, and there are about 4,177 Walmart stores nationwide.

Walmart gave employees raises of \$1 to \$3 an hour in 2015 (and Target and others followed suit), which is good



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news—but the new wages are still not necessarily enough to live on. And when you consider that the average CEO’s salary is *325 times larger* than the average worker’s pay, this option holds that it seems completely out of balance.

The idea of a “living wage,” an hourly pay rate that makes it possible for workers to support a family, has begun to take hold in recent years. Several cities and counties across the nation, such as San Francisco and Boston, have passed living-wage laws, and others are looking closely at doing the same. The actual figure varies from place to place because the cost of living varies, but a wage of \$15 an hour is often discussed (compared with the current federal minimum wage of \$7.25), and has given rise to an organization and movement called “Fight for \$15” that is lobbying for fast-food workers.

Many people, especially small business owners, are concerned about raising wages that much. But, using the Walmart example, there is an obvious benefit to every taxpayer; workers making a living wage would be much less likely to need public programs like food stamps. And living wages could make for a healthier society by lowering the



stress levels for workers and their families, increasing their ability to buy nutritious food, and improving their sense of self-worth.

Another proven way to boost workers' pay is by forming and strengthening unions. In 2012, the Economic Policy Institute found that unions increase workers' pay an average of 14 percent (more for Hispanic and African-American workers) and make it significantly more likely they will have health insurance and pensions. But the number of workers represented by unions dropped by half from 1973 to 2011, down to just 13 percent. According to this option, it is no coincidence that income inequality has increased over the same period. We should make it easier for workers to form unions and give unions more power to negotiate contracts.

### **Equalize School Funding**

One important step we can take to ensure that everyone has the same chance to get ahead is to make all public schools equally good. This is not about education reform, which is a whole separate topic; instead, this is about making sure each school is appropriately funded.

In the United States, public schools are supported by a combination of local property taxes and funds from both state and federal budgets. It's the local property taxes that are problematic. Since some communities are richer and some poorer, schools in wealthier districts will be better funded unless the state requires some form of revenue sharing among counties and districts. Many do not.

In Reading, Pennsylvania, the school district lost 200 teachers and teachers' aides in 2012 when school funding statewide was cut by \$1 billion. Worse, the state's poorest districts actually lost four times more than the wealthiest

districts. This had predictable results—class sizes ballooned, and art and music classes were cut. In the wealthier districts, half the high school students take advanced-placement courses, versus 10 percent of the students in the poorer ones.

"The kids here are bright, energetic, and motivated," said Mitch Hettinger, who spent more than 30 years teaching in Reading's middle schools. "They just have the unfortunate circumstance of living in the wrong ZIP code."

### **Reduce Student Loan Debt**

It is estimated that student loan debt in the US now totals more than \$1 trillion, and more than 10 percent is delinquent or in default. As that figure rises, it could become a drag on the economy, with college graduates' lives and prosperity mortgaged to the hilt and their spending hobbled. Worse, it could become a disincentive to get a college degree—why spend all that time and money if it's still hard to get a job and you'll be in debt for decades? "The burden of student debt is jeopardizing the ability of young Americans to buy homes, start small businesses, and save for the future," said Richard Cordray, director of the Consumer Financial Protection Bureau.

Part of the problem is that states have cut higher education funding as much as 20 to 35 percent per student, and colleges and universities have been raising tuition, among other things, to make up the difference. Tuition has risen by almost a third since 2008.

This is a dangerous trend, this option suggests. A college education is one of the keys to entering the middle class: college graduates in 2013 made about double, on average, the salary of a worker without a college degree.



## Trade-Offs and Downsides

- Increasing taxes for wealthy individuals penalizes them for their wealth. While some have inherited their wealth, others have worked hard to be successful, and tax increases could send a negative signal to others who aspire to higher incomes.
- Mandating higher wages and redistributing income can also lead to less job creation. A significantly higher minimum wage could force some small businesses to close or lay off workers.
- While mandating more equal school funding would help children in poor neighborhoods get a better education, depending on the type of funding used, wealthier districts could end up subsidizing poor districts.
- For colleges to reduce tuition, many would have to cut programs that are in demand by students and their parents, and they could lose students to colleges that offer more services. If states boost higher education funding to control college debt, it could cut into funds that are available for other programs.

### Questions for deliberation . . .

- 1 Is a college degree still a gateway to success?
- 2 How big a gap between executive salaries and workers' pay do you think there should be?
- 3 Are public schools still the fundamental starting point for the economy, or has that changed?

# Summary

WHILE EMPLOYMENT FIGURES SUGGEST the US economy is recovering, many Americans see a different picture:

- More than 3 million Americans are not counted as unemployed because they've given up looking for work or settled for part-time work.
- White households are 13 times wealthier than African-American households and 10 times wealthier than Hispanic households.
- Americans in a middle-income range dropped to 43 percent by 2013, while the richest 10 percent of the population earn more than half of the country's income.

Persistent areas of poverty, fewer people staying with one employer throughout their working lives, the closing of once-secure industries, and huge student debt all present challenges to entering or staying in the middle class.

We used to take for granted that people would be better off financially from one generation to the next, but today's young people doubt that they will have the prosperity enjoyed by their parents and grandparents.

Why is this happening? How much of a person's prosperity depends on individual accountability? Is corporate and individual greed to blame for the nation's income disparities, or are wages simply not keeping up with rising costs and debt?

Many Americans still believe in the basic notion that anyone who works hard should be able to support a family and get ahead. What can we do to make that happen? This issue guide presents three options for ensuring people can achieve economic security—each option is rooted in something Americans hold dear, and each must be balanced against its risks and trade-offs.



# Option 1:

## Create New Opportunities

THIS OPTION SAYS WE SHOULD MAKE IT EASIER FOR PEOPLE TO START NEW ENTERPRISES that will improve their circumstances. Whether it's starting a house painting business on the side or opening a restaurant, when individuals start new firms, it helps spur economic growth. More skilled tradespeople are needed, for example, as construction bounces back. Half of all private-sector jobs in the US are at small businesses, and in recent years small businesses have supplied two-thirds of all new jobs.

*But not everyone is willing or able to accept that kind of responsibility, and many new businesses will fail. This approach also emphasizes individual business success over the well-being of society as a whole.*

### EXAMPLES OF WHAT MIGHT BE DONE

People could launch new side enterprises, careers, or firms that introduce innovations and provide jobs.

The government could reduce taxes on all Americans, especially businesses, so they can keep more of what they earn.

Banks could make more loans to small businesses and local entrepreneurs.

States, cities, and universities could work more closely with companies and move more quickly to provide the right job training so businesses can expand and put more people to work.

Community organizations can help new businesses get rolling with free office space and mentoring services, or by helping them cut through red tape.

What else?

### TRADE-OFFS TO CONSIDER

Such new enterprises are risky and some will fail.

This may reduce the revenue available for important programs.

Some of these loans will be risky and could go into default.

When governments direct people into certain fields, it's the workers who will lose if it doesn't work out.

When new companies take off, their success could hurt other local businesses.

What's the trade-off?

# Option 2:

## Strengthen the Safety Net

WE SHOULD SECURE AND EXPAND SAFEGUARDS so that changes in the economy don't push people into poverty or leave families with children homeless or hungry. In the last decade, millions of people found themselves unemployed or underemployed with few or no benefits, sometimes indefinitely. Fewer people work with one company for decades, employee benefits have shrunk, technology and globalization have eliminated jobs, and more people are employed in freelance work. We need to make sure people will not face catastrophic losses as they adapt to these changes. To do this, we should strengthen the unemployment insurance program, protect workers' retirement, and make benefits more portable.

*But this may reduce overall competitiveness and job growth.*

### EXAMPLES OF WHAT MIGHT BE DONE

Congress could raise the unemployment tax, extend the permanent length of unemployment benefits, and make other improvements to the program.

The federal government can increase funding to Temporary Assistance for Needy Families and ensure that the money actually goes to families in need.

Government can strengthen Social Security and ensure it will be there for future generations.

Local, state, and federal governments can build or repair more roads and bridges, boosting the economy and providing jobs.

Congress could disconnect health insurance and other benefits from employment entirely, making it easier for people to change jobs and for the self-employed to have benefits.

What else?

### TRADE-OFFS TO CONSIDER

This will cut into companies' profits.

This could divert tax dollars from other programs.

This would probably mean higher payroll taxes for both individuals and employers.

Governments would get more deeply involved in the economy by starting projects primarily to create jobs.

Large companies subsidize part of these costs—this could hurt those who do stay with the same company for a long time and rely on those benefits.

What's the trade-off?

# Option 3:

## Reduce Inequality

WE SHOULD SHRINK THE INCOME GAP. Today, the richest 10 percent of the country's population earn more than half of its total income. It is not right that CEOs make hundreds of times more than their employees, even as their companies cut workers' hours to avoid paying overtime and offering benefits. Some inequality helps drive people to succeed and become wealthier, but if people can't move into or stay in the middle class, or if the wealthy manipulate the system to their benefit, then we all lose. To reduce the large gaps between the very rich and the rest of society, schools should be funded more equally, we should do more to control college costs, and people who don't go to college should be able to get decent-paying jobs that allow them to stay in the middle class.

*But this penalizes the wealthy, and mandating higher wages and redistributing income can lead to less job creation.*

### EXAMPLES OF WHAT MIGHT BE DONE

States and cities could increase the minimum wage, as some cities already have, to a "living wage" that would cover families' basic living expenses.

More workers could organize or join unions to push for better wages and job security.

States could reform school funding so that children in poor neighborhoods receive the same quality education as those in wealthy neighborhoods.

Colleges could lower tuition and states could boost higher education funding to control college debt.

Congress could cut taxes for low-income families and raise the top income tax rates and the estate tax.

What else?

### TRADE-OFFS TO CONSIDER

A significantly higher minimum wage could force some small businesses to close or lay off workers.

This could make companies more difficult to manage and some could not compete globally.

Wealthier districts could end up subsidizing poorer districts.

This may cut into funds available for other programs.

Raising taxes on the rich could cause them to move wealth out of the country.

What's the trade-off?

## The National Issues Forums

The National Issues Forums (NIF) is a network of organizations that bring together citizens around the nation to talk about pressing social and political issues of the day. Thousands of community organizations, including schools, libraries, churches, civic groups, and others, have sponsored forums designed to give people a public voice in the affairs of their communities and their nation.

Forum participants engage in deliberation, which is simply weighing options for action against things held commonly valuable. This calls upon them to listen respectfully to others, sort out their views in terms of what they most value, consider courses of action and their disadvantages, and seek to identify actionable areas of common ground.

Issue guides like this one are designed to frame and support these deliberations. They present varying perspectives on the issue at hand, suggest actions to address identified problems, and note the trade-offs of taking those actions to remind participants that all solutions have costs as well as benefits.

In this way, forum participants move from holding individual opinions to making collective choices as members of a community—the kinds of choices from which public policy may be forged or public action may be taken, on community as well as national levels.

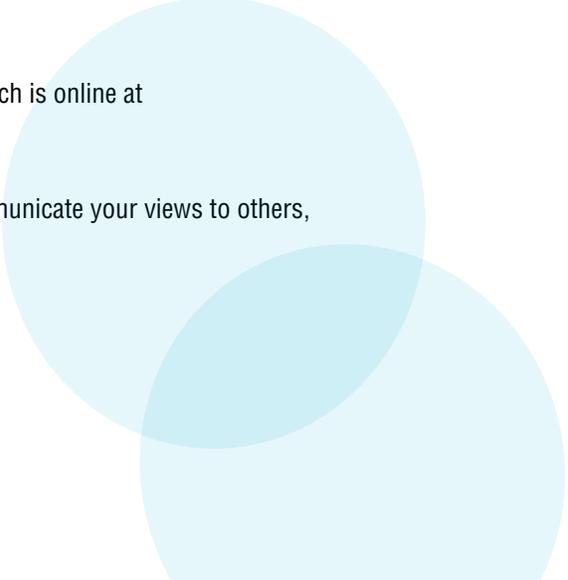
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## Feedback

If you participated in this forum, please fill out a questionnaire, which is included in this issue guide or can be accessed online at [www.nifi.org/questionnaires](http://www.nifi.org/questionnaires). If you are filling out the enclosed questionnaire, please return the completed form to your moderator or to the National Issues Forums Institute, 100 Commons Road, Dayton, Ohio 45459.

If you moderated this forum, please fill out a Moderator Response sheet, which is online at [www.nifi.org/questionnaires](http://www.nifi.org/questionnaires).

Your responses play a vital role in providing information that is used to communicate your views to others, including officeholders, the media, and other citizens.



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