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For too long, ordinary Americans have missed out on the gains of a growing economy. This wasn't an accident. Policy choices allowed the rich to capture much more than their fair share of American income growth. It will take a bold and comprehensive policy agenda to restore the balance and ensure that our country's prosperity is broadly shared.

EPI's policy roadmap plots a course to shift bargaining power back toward low- and middle-wage workers, arrest accelerating income inequality, shore up the nation's infrastructure and educational system, protect and expand social insurance programs, and help close gender and racial wage gaps.

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Policy choices have tilted the playing field toward the rich and corporations

Over the last four decades, income inequality has increased dramatically, income growth for the vast majority has slowed to a crawl, and progress in closing gender and racial wage gaps has been either too slow or nonexistent. These developments are not sad accidents stemming from competitive market forces or advances in technology. Instead, they are the predictable outcome of policy changes that put the economic interests of wealthy capital-owners and corporate executives first, even when this meant throttling income growth for everybody else and ignoring policies that could help close income gaps by gender or race. For example, policymakers deregulated financial markets, even though history has shown that this just leads to escalating incomes for financiers followed by economic crises that damage everybody else. And policymakers cut taxes on the highest earners while asserting that we could not afford to invest in infrastructure, expand health care, improve education, or strengthen Social Security.[1]

These efforts to tilt the playing field toward the already-rich have occurred across a range of policies. However, the most significant policy shifts occurred in the U.S. labor market, which has delivered only anemic wage growth for most workers in recent decades. These policies have undermined labor standards (like the minimum wage), allowed higher than necessary rates of unemployment, reduced union membership, and impaired other rights and protections. They share a common thread—the intentional aim of eroding workers' leverage and bargaining power.

The policy attack on workers' leverage led to economic growth that was slower and less equal than what came before. Between 1973 and 2017, net productivity (the income generated in an average hour of work) grew half as fast as it had from 1948 to 1973. But the cumulative 77 percent growth in productivity from 1973 to 2017 nevertheless provided the *potential* for the hourly pay of all workers to grow as fast. Yet typical workers' pay rose just 12.4 percent in this period—a sixth as fast as productivity. The gap between productivity and pay growth represents income that was generated by workers but was siphoned off by highly paid corporate executives and capital owners as workers were stripped of the bargaining power necessary to claim their fair slice of the growing economic pie.[2]

Better policy choices can shift power back to working people

To break the rise of inequality, policymakers must unrig the economy's rules with policies that intentionally tilt bargaining power back toward low- and middle-wage workers and that seek to close gender and racial wage gaps. We recognize that those pursuing shared prosperity understandably seek one simple "big fix"—a desire that has spurred the development of innovative policy ideas. But we believe there is no one solution, and that instead a broad suite of policies must be pursued. The decades-long campaign to disempower the vast majority of America's workers was not waged in one fell swoop. Instead, policymakers closely aligned with corporate interests have consistently promoted a systematic, wide-ranging agenda to shift economic leverage away from typical workers and households, and only an equally deliberate and expansive set of policies will shift it back.

Worker Power

Strengthen collective bargaining and grow workers' ability to join together to increase their power

A recent poll found that 60 percent of adults have a favorable view of labor unions. However, as of 2017, only 10.7 percent of wage and salary workers were union members.[3] This disconnect is the result of decades of fierce opposition to unions and collective bargaining, with employers exploiting loopholes in outdated labor law to defeat workers' organizing efforts, while corporate lobbyists have blocked attempts at reform. We know unions are a significant force for a fair economy by examining the impact of their decline since the 1970s. As unions have declined, inequality between middle- and high-wage workers has grown: as union membership has dropped, the top 10 percent's share of overall income has risen. The erosion of union coverage has also meant the erosion of the significant boost unions provide to the earnings of black and Hispanic workers and women—a boost that occurs directly through collective bargaining but also by helping combat discrimination through correcting for salary discrepancies and establishing clear and transparent terms for advancement.[4]

The following reforms aim to strengthen collective bargaining and increase worker power.

1 Workers should be able to form a union free from employer intimidation and retaliation

Problem Increasingly intense employer opposition to union organizing has contributed to the decline in union membership in recent decades.[5] A study by Kate Bronfenbrenner of Cornell University found that roughly one-third of private-sector employers illegally fire workers who participate in a union-organizing effort and over half of employers threaten to close the worksite if workers unionize.[6]

Reform Update the law to (1) authorize meaningful penalties against employers who interfere with workers joining together to improve their wages and working conditions; (2) impose monetary penalties for violations in which a worker is illegally terminated; (3) impose liability on corporate directors and officers who participate in violations of workers' rights or have knowledge of and fail to prevent such violations; (4) prohibit employers from requiring that employees attend meetings designed to persuade them against voting in favor of a union; and (5) allow workers to bring a lawsuit to recover monetary damages and attorneys' fees (private right of action) when their employer acts unlawfully to oppose their right to join a union and collectively bargain.

2 Workers who form a union should be able to reach a first contract in a timely manner

Problem When workers do overcome existing hurdles and successfully vote to form a union, loopholes in the law allow employers to cause unnecessary delays in the collective bargaining process. As a result, it can take years for a union to obtain a first contract. Bronfenbrenner's study found that two years after an election, more than one-third of newly formed private-sector unions—37 percent—still had no collective bargaining agreement. After three years, 30 percent still had no contract.[7]

Reform Ensure that workers in a union can reach a contract. Employers must not be allowed to delay the process and bargain in bad faith. The law should provide a mandatory mediation-and-arbitration process.[8]

3 Workers should be able to effectively finance worker organizations

Problem So-called right-to-work (RTW) laws, passed in 27 states, have contributed to a reduction in union membership and are associated with a decline in wages and benefits for union and nonunion workers alike. RTW laws undermine the finances of private-sector unions by preventing them from being able to require that nonunion bargaining-unit members—people that unions are required by law to represent—pay their fair share of the cost of that representation.[9] Workers who want a union must be able to effectively finance the organization to ensure that they have a meaningful voice in the workplace.

Reform Amend the National Labor Relations Act to ban states from passing so-called right-to-work laws.

4 Workers should have the right to act in solidarity with other working people

Problem Under current law, workers may not be fired for engaging in a strike; however, they may be "permanently replaced." Workers therefore have good reason to worry about losing their jobs if they strike. It is not surprising that the incidence of large-scale work stoppages has declined by more than 95 percent over the last half-century.[10] This loophole in the law has led to an erosion in workers' ability to use one of their most powerful tools.

Reform Prohibit companies from permanently replacing striking workers. These protections should also be extended to include workers engaged in "secondary strikes" or other protest actions in solidarity with striking workers.

Good Jobs

Strengthen and enforce policies that support good jobs

Labor and employment standards set the minimum obligations that employers have to their workers. In recent decades there has been a concerted, cynical effort by corporate interests to convince lawmakers that these standards strangle economic growth and cost jobs. As a result, lawmakers have allowed these standards to erode dramatically—both through a failure to update existing standards so that they continue to provide a robust floor for job quality and through a failure to implement new standards to counteract evolving employer practices that wrest leverage from workers. This erosion disproportionately impacts women and racial and ethnic minorities, who are more concentrated in low-wage jobs with few benefits. Further, this erosion harms collective bargaining efforts among unionized workers because it lowers the floor from which bargaining takes place.

1 Workers should be protected by a strong minimum wage

Problem At $7.25 per hour, the federal minimum wage is now more than 25 percent below where it was in real terms half a century ago. Further, the federal “tipped minimum wage,” at $2.13 per hour, has not been increased for more than a quarter-century. The erosion of the real value of the minimum wage lowers the wage floor for those workers with the least bargaining power and has been a substantial drag on wage growth for low-wage workers. Furthermore, this erosion in the real value of the minimum wage has occurred despite substantial productivity growth over this period that created room for the minimum wage to be substantially *higher* in real terms.[11]

Reform Pass the Raise the Wage Act, raising the federal minimum wage to $15 per hour by 2024, indexing it to the national median wage thereafter, and phasing out the tipped minimum wage and other subminimum wages.[12] Given inflation expectations, $15 in 2024 would be around $13 in 2018 dollars,[13] an appropriate level for the federal floor. In addition, states and localities with higher costs of living should legislate higher minimum wages.[14]

2 Workers should be fairly compensated for long hours

Problem Over the past four decades, overtime pay protections have eroded dramatically. Under federal law, almost all hourly workers are automatically eligible for overtime pay—1.5 times the regular rate of pay for any hours over 40 hours in a week—but workers who are paid on a salary basis are only automatically eligible if their earnings fall below a certain salary threshold. Salaried workers who earn above the threshold are eligible for overtime protections only if they are *not* a manager, supervisor, or highly trained professional. The salary threshold has been allowed to erode so dramatically in real terms that now—at $455 per week, or $23,660 for a full-time, full-year worker—it is lower than the poverty threshold for a family of four.[15] If the threshold had simply been adjusted for inflation since the 1970s, it would be well over $50,000.[16]

Reform Raise the overtime salary threshold to a meaningful level. A 2016 federal rule, abandoned by the Trump administration, would have raised the salary threshold to $47,476 per year for a full-year worker, with automatic updating thereafter.[17] The overtime salary threshold should be set to *at least* this level.

3 Workers should be able to expect predictable schedules or be fairly compensated for unpredictable hours

Problem Many workers—particularly in the retail and fast-food industries—are subject to irregular and unpredictable work schedules. Unpredictable schedules complicate the daily lives of affected workers, particularly those trying to balance multiple jobs, arrange child care, and/or continue their education or training. Unpredictable work hours also lead to irregular and unpredictable earnings.[18]

Reform Establish fair scheduling protections for workers under federal law, to include the following: (1) a protected "right to request," i.e., giving employees the right to make scheduling requests without retaliation; (2) a requirement that employees receive advance notice of their schedules; and (3) a provision that employees receive extra pay for on-call scheduling or other schedule changes that occur without sufficient warning, or shifts that are less than a minimum number of hours. Similar to time-and-a-half compensation for overtime hours, a standard of extra pay when workers' schedules are changed without reasonable lead time or for short shifts would mean both that employers have skin in the game when they make decisions that add chaos to workers' lives, and that workers receive extra compensation to help defray the impact.[19]

4 Workers should have access to paid sick time

Problem In 2017, nearly one in three private-sector workers—32 percent—did not have access to even one paid sick day through their employer, and that share was much higher—44 percent—for workers in the bottom half of the wage distribution.[20] For these workers, the decision to take time off from work to recover from an illness or to care for a sick family member can be a choice between their financial security and their (or their family's) health.[21]

Reform Establish a national paid sick days standard that gives workers the economic security to be able to stay home when sick, when they need to see a doctor, or when a family member needs medical attention.

5 Workers should be provided transparent information about the terms of their employment

Problem Many workers begin work not knowing the basic terms of their employment, which makes it more difficult for them to recognize a violation of their rights. They may not know who their legal employer is, which also makes it difficult to address concerns. They may not know whether they are covered by overtime protections (that is, whether they are classified as "exempt" or "nonexempt" employees). When employers are required to provide workers with written notice of their terms of employment, it helps reduce worker misclassification and other violations of labor standards by reducing the noncompliance that results from employers being able to easily hide violations. It also increases worker leverage by providing employees with necessary documentation to pursue a claim in the event of a violation.

Reform Require employers to provide workers with a statement of pay that includes worker status (including whether the worker is an employee or an independent contractor and, if an employee, whether he or she is exempt or nonexempt from the overtime protections of the Fair Labor Standards Act), a clear rationale for the worker classification, the name of the employee's legal employer(s), rate of pay, hours worked, and all deductions from pay.

6 Workers should be able to hold all firms that have control over the terms and conditions of their employment accountable

Problem As employers outsource various functions to contractors and subcontractors, the workplace has become increasingly "fissured"—meaning that two or more firms control the terms and conditions of employment (such as pay, schedules, and job duties).[22] These arrangements enable employers to limit and evade liability for labor standards violations and to avoid the bargaining table—making it nearly impossible for workers to enforce their rights and for unions to negotiate for better working conditions.[23]

Reform Establish a federal joint employer standard, whereby all firms that share control over a worker's terms of employment are considered to be employers of that worker, or "joint employers." A federal joint employer standard should be the default for both collective bargaining and for responsibility for compliance with basic labor standards.

7 Workers should be protected against arbitrary or unfair termination or workplace discipline

Problem The U.S. has an at-will employment system, in which most nonunionized workers can be fired without warning for almost any reason (with few exceptions—e.g., discrimination on the basis of race, gender, national origin, disability, religion, age, or being pregnant, or as retaliation for whistleblowing or union-organizing activities). Workers covered by a collective bargaining agreement, on the other hand, often have standard "just cause" protections in their contracts, so that they know they cannot be fired without a legitimate reason—and that they have recourse if their employer attempts to do so. And while just cause would protect workers from arbitrary or unfair firing, it could also protect them from being fired for illegal reasons—for example, it would provide additional protections for workers whose employer might try to fire them for union-organizing activities but claim it is for another reason.

Reform End at-will employment and establish just cause protections.

8 Workers should be able to access the courts to enforce their rights

Problem The use of mandatory arbitration clauses and collective and class action waivers in employment agreements makes it more difficult for workers to enforce their rights. Mandatory arbitration forces workers to resolve workplace disputes in an individual arbitration process that overwhelmingly favors the employer, while collective and class action waivers prohibit workers from joining together to act collectively when workplace violations are widespread. Both agreements bar access to the courts for all types of employment-related claims, including those based on the Fair Labor Standards Act, Title VII of the Civil Rights Act, and the Family Medical Leave Act. Among private-sector nonunion employees, 56.2 percent are subject to mandatory employment arbitration procedures. This means that 60.1 million American workers no longer have access to the courts to protect their legal employment rights.[24]

Reform Ban mandatory arbitration agreements and class and collective action waivers in employment agreements.

9 Workers should not have their job opportunities restricted by noncompete agreements

Problem Noncompete agreements—which block employees from working for a competitor for a set period of time if they leave their current job—severely restrict the most important point of leverage nonunionized workers have: the fact that they can quit and work somewhere else. Recent studies find that nearly one in five U.S. workers are bound by noncompete agreements,[25] and it's not just highly paid workers with access to trade secrets who are required to sign—14.3 percent of workers without a four-year college degree and 13.5 percent of workers earning less than $40,000 a year have noncompetes.[26]

Reform Ban the use of noncompete agreements, with very limited carveouts.

10 Workers should have their rights adequately protected and be able to work free from discrimination and harassment

Problem Labor standards—such as the minimum wage, safety regulations, and fair employment laws (which prohibit employers from discriminating on the basis of certain traits such as race, religion, national origin, sex, or disability)—are only as strong as their enforcement. However, because of budget and policy choices, enforcement of labor standards has become so inadequate that it provides little deterrence against violations: penalties are either nonexistent or insufficient; workers have few protections against employer retaliation when they assert their rights; and finally, funding for enforcement is a fraction of what is needed.[27] Further, fair employment laws do not currently protect many groups that experience discrimination and harassment in the workplace.

Reform Update the law to (1) increase penalties and remedies for violations of labor standards, including fair employment laws; (2) strengthen protections against employer retaliation for workers who assert their rights by, for example, filing a claim against their employer; (3) devote additional resources and funding to enforcement efforts and the recovery of wages and damages owed to workers; (4) collect and analyze data to better identify gaps and strategically target enforcement efforts; and (5) expand fair employment laws to ban employment discrimination and harassment based on more individual traits (for example, sexual orientation and gender identity or expression).

11 Workers should not be forced to subsidize employers who violate workers' rights

Problem Every year, the federal government spends hundreds of billions of taxpayer dollars on contracts for everything from building interstate highways to serving concessions at national parks. Unfortunately, many of these contracts are awarded to companies that bring in the lowest bid by cutting corners with workers' pay, health, and safety. This creates a race to the bottom on labor standards and puts responsible firms at a competitive disadvantage. Currently, there is no effective system to ensure that taxpayer dollars are not awarded to contractors who are chronic violators of labor and employment laws.

Reform Require companies competing for federal contracts to disclose previous workplace violations, with the applicable government agencies independently confirming that all violations have been disclosed; those violations should be considered when new contracts are being awarded. Further, preference in awarding contracts should be given to unionized firms.

Full Employment

Restore full employment as the top macroeconomic policy priority

In an economy genuinely at full employment, employers must constantly compete for workers, boosting workers' leverage and bargaining power. American workers have had the leverage that full employment provides only sporadically since 1979. This failure to keep the labor market pegged at full employment has been a primary reason why typical workers' wages have seen such anemic growth over the last four decades, even as productivity (or the total income generated in an average hour of work) has steadily increased.

The economy gets stuck operating *below* full employment when aggregate demand (spending by households, businesses, and governments) falls short of growth in the economy's productive capacity. To provide crucial leverage to low- and middle-wage workers, policymakers should use all levers possible to ensure that aggregate demand does not become a constraint on growth. But in recent decades policymakers have consistently underestimated the huge benefits of sustained full employment and overestimated the risks of "overheating" the labor market (allowing unemployment to get so low that it spurs wage growth that runs ahead of productivity growth).

These are not just dry technocratic debates, and the stakes involved in these policy choices could not be higher. Aggressively pushing unemployment lower would confer enormous benefits on low- and middle-wage workers in general. And it would provide disproportionately large boosts to workers of color. Tight labor markets make employers compete harder for workers, and in tight labor markets it's more costly for employers to indulge in discriminatory practices against workers of color.[28]

1 Fiscal policy—taxing and spending—should be used aggressively and efficiently to sustain full employment

Problem Fiscal policy—taxes and spending—can support full employment when it helps ensure that aggregate demand is keeping pace with growth in the economy's productive capacity. Expansionary fiscal policy boosts demand with some combination of increased spending and tax cuts. In the decades before the Great Recession, however, the role of fiscal policy as a tool to peg the economy at full employment was too often ignored by policymakers.[29] The ruling assumption of these policymakers was that expansionary *monetary* policy—the lowering of interest rates—was the only tool needed to return the economy to full employment whenever a shock pushed the economy away from it. The experience of the Great Recession proved this wrong. The economy needed the large fiscal boost from the American Recovery and Reinvestment Act (ARRA) to break the downward spiral of the recession and launch the recovery. Unfortunately, far too early in the recovery fiscal policy stopped being expansionary and became contractionary as spending austerity was embraced by Republican policymakers.[30] The abandonment of expansionary fiscal policy as a tool for macroeconomic stabilization in the decades before the Great Recession *and* the premature pivot to austerity early in the recovery from this recession both stemmed in part from an incorrect view that federal budget deficits are always and everywhere damaging and that the primary goal of fiscal policy is to close these deficits.[31] This view should be decisively rejected. Expansionary fiscal policy should be used aggressively to fight future recessions and quickly return the economy back to full employment.

Reform Congress should respond to shortfalls in aggregate demand with tax and spending policies that provide the biggest "bang for the buck" and should avoid premature pivots to spending austerity. The tax cuts passed by Congress at the end of 2017 decisively did not provide bang for the buck. Because these tax cuts were tilted toward rich households and corporations whose spending is not currently constrained by too-low incomes, they will do little to spur more spending. Direct government spending (for example on infrastructure) and tax cuts or transfers directed toward lower-income households provide much more of a boost to aggregate demand per dollar spent.[32]

Since deficits do no harm to the economy when there are idle economic resources and the economy is not at full employment, policymakers can pass effective stimulus measures without corresponding "pay fors" (savings from cutting other programs or tax increases). However, if policymakers for political reasons demand fiscal stimulus measures that don't significantly increase the deficit, they have another option: They can combine increased direct spending and transfers to lower-income households with higher taxes on the rich. Direct spending and transfers to lower-income households so efficiently boost demand that policymakers could finance them by raising taxes on the rich without increasing national deficits.

2 The Federal Reserve needs to be reformed so that it gives due weight to its mandate to pursue maximum employment

Problem The Federal Reserve acted admirably during the Great Recession and for years after. By lowering interest rates and keeping them low, the Fed tried harder than any other policy institution to push the economy back to full employment. But the Fed has recently begun backsliding into its entrenched habit of prioritizing its mandate to keep inflation low over its mandate to pursue maximum employment. In simple terms, the Fed is overestimating the risks of any uptick of inflation, while underestimating the huge benefits of pushing the unemployment rate lower. What the Fed should be doing is keeping interest rates low as long as there is no real threat that labor markets are tight enough and wage growth strong enough to push inflation over the Fed's already-too-low 2 percent target.[33] Instead, it has begun raising interest rates even in the absence of evidence that wage growth is strong enough to push up overall prices above the target. These higher interest rates will slow spending and slow progress in reducing unemployment, all in the name of fighting excess inflation that has not appeared. This toleration of too-high unemployment in the name of fighting inflation over recent decades has been a key ingredient in anemic wage growth for the vast majority of workers over this time.[34]

Reform Reform the Federal Reserve to ensure that it puts proper weight on its mandate to pursue genuine full employment. To begin with, the president and Congress should select and retain Federal Reserve Board governors who will pursue full employment and wage growth when they set monetary policy and interest rates. Also, the structure of the Fed should be reformed to provide more democratic accountability for its decisions. Specifically, the presidents of the 12 regional Federal Reserve banks are chosen in a largely closed process by a board of directors whose members are selected by private-sector banks. The process is rife with potential conflicts of interest and should be made more transparent and open to public participation.[35]

3 Targeted investments and public job creation need to ensure that full employment reaches all communities

Problem Even when the economy reaches full employment nationally, individual communities face challenges. In some communities, aggregate demand will exceed growth in productive capacity, leading to inflation instead of greater employment. In other communities, too many workers will still be out of work due to lack of demand. Besides this geographic mismatch of aggregate demand, some unemployment can also persist—even if aggregate demand is strong—if structural barriers are in the way of matching employers and employees. Spatial mismatch is one such structural barrier. It arises when, for example, jobs are in suburbs while workers are in cities and transportation options make it hard for workers to travel. Discrimination is another structural barrier; it can keep employers from hiring qualified workers of color.

Reform Use local area labor market conditions as a criterion for prioritizing infrastructure and public investment projects, and build the public sector's capacity to hire people for public service jobs that serve as a "public option for employment" (POE). Currently, the job creation potential of public investment plans and infrastructure projects are not considered in criteria for prioritization of projects that are financed with federal dollars.[36] This should change, and local areas with higher unemployment rates should have the first claim on public investment projects. Further, federal dollars should go toward helping local governments build capacity to offer POE jobs.[37] Jobs with the POE would be public-sector jobs performing tasks identified by local governments as in the public interest. POE jobs would be largely transitional and meant to ensure that uneven patterns of aggregate demand across geographic communities and structural barriers to employment do not freeze people out of paid work for extended periods of time.

Such direct job creation has been done in the not-so-recent past. For example, in 1973 Congress passed the Comprehensive Employment and Training Act (CETA). At its peak in 1978, CETA was employing 750,000 workers.[38] The key challenge in constructing a durable POE is ensuring that the jobs are performing tasks that are socially useful and are also *perceived as such*. This means the creation and expansion of these programs needs to be slow enough to give local governments the chance to identify such jobs. The direct job creation of transitional jobs has the clear potential to boost employment for less-advantaged groups of workers, and we should begin building up this capacity.[39] A modern version of a POE was included as part of the Local Jobs for America Act.[40]

Race and Gender Equity

Eliminate economic disparities rooted in racial and gender biases

In the more than five decades since the passage of major civil rights legislation provided more equitable access to education and jobs, women and people of color have put a tremendous effort into obtaining more education and pursuing better-paying jobs while also working more hours and taking other actions to improve their economic standing. Yet they are still paid less on average than similar white male workers, are more concentrated in low-wage jobs with few benefits, and have accumulated much less wealth. This is the legacy of structural racism and sexism. Long after the repeal of explicitly discriminatory laws and policies, women and people of color continue to endure discrimination, occupational segregation, and other inequities. To close the pay, opportunity, and wealth gaps these workers and their families face, we need to address the biased systems and structures that established and continue to perpetuate race and gender inequality.[41]

The following reforms would take important steps toward ending employment and pay discrimination, narrowing the wealth gap, and addressing other disparities rooted in racial and gender biases. These reforms provide a crucial, *additional* layer of action for women workers and workers of color, who, like *all* workers, have endured four decades of eroding bargaining power and stagnating wages caused by public policies that serve the elite. In addition to the reforms in this section, essentially every other plank in EPI's policy agenda will disproportionately benefit women workers and workers of color.[42]

1 Workers must be equipped to identify and challenge when they have been discriminated against in hiring, promotion, and pay

Problem More than a half century ago, landmark federal legislation outlawed employment discrimination—which includes pay discrimination—on the basis of sex, race, color, religion, or national origin.[43] Yet the gap between what black and white workers are paid is larger today than it was nearly 40 years ago. And progress toward closing the gender pay gap has been stalled for at least 15 years. Large racial and gender wage gaps persist even when comparing workers with similar education, experience, and geographic location. For example, black and Hispanic women make about two-thirds as much as comparable white men. And black men and white women make roughly four-fifths as much as comparable white men. Research shows that discrimination is a major contributor to these wage gaps.[44] Employers can get away with pay discrimination because workers often don't know what others are paid and workers lack the evidence, or the legal and financial resources, needed to prove a case of discrimination. Further—even though it is illegal to do so—many employers either informally discourage workers from discussing pay or forbid workers from doing so. These pay secrecy policies contribute to the persistence of pay gaps.[45]

Reform Ensure pay transparency and crack down on pay secrecy policies. First, add teeth to federal antidiscrimination laws by requiring employers to report to the Equal Employment Opportunity Commission (EEOC) what they pay their employees by job category, sex, race, and ethnicity. An Obama-era rule would have required companies to report this detailed salary data, but it has been blocked by the Trump administration. Reinstating this rule or enacting legislation requiring the EEOC to collect pay data would force companies to pay more attention to discriminatory pay disparities and give workers who are underpaid the evidence they need to pursue their claims. In addition, more systematic collection of pay data would provide another layer of detail to existing reports of employment used to detect discriminatory hiring and promotion practices.[46] Second, crack down on pay secrecy policies that violate the National Labor Relations Act (the federal law providing the right for workers to organize), and educate workers about their right to discuss their pay in the workplace.

2 Workers should not be locked into a lifetime of lower pay because of their pay history from previous jobs

Problem We see significant racial and gender pay gaps among new entrants to the labor market and among older, more experienced workers. This suggests that as workers of color and women advance in their work lives, they rarely fully recover from relative wage disadvantages that existed early in their careers. A key reason is that employers routinely use information about pay from a previous job to set the salary in a current job offer. This practice tethers women workers and workers of color to lower levels of pay throughout their working lives. Allowing employers to ask about previous salary history also perpetuates pay inequities by providing cover for pay discrimination. Employers accused of pay discrimination have argued that women and workers of color are paid less because of their salary history.[47]

Reform Prohibit employers from asking job candidates about previous pay history. While states and cities have considered or enacted such measures, a federal law, such as that proposed by congressional delegate Eleanor Holmes Norton (D-D.C.), would provide a uniform ban on this discriminatory practice.[48]

3 People who have been arrested or convicted of a crime but served their time should have access to good jobs and opportunities for economic mobility

Problem The surge of discriminatory “tough on crime” laws during the 1980s and 1990s, in combination with long-term systemic inequalities in the administration of criminal justice policies, have had a disproportionate effect on people of color. Higher rates of incarceration have removed large numbers of working-age men and women of color from their families and communities. When they return, they return to struggling neighborhoods with few employment opportunities, and their arrest and conviction histories make it hard to get a job. Compounding the problem, in some states, a criminal record may make it impossible for someone to pursue a career as a hairstylist, plumber, truck driver, or any other occupation requiring a license. Together, the stigma of having a criminal record and the barriers formerly incarcerated workers face in the job market perpetuate the injustices of the criminal justice system and prevent families and communities from recovering.[49]

Reform Expand fair-chance hiring reforms like “ban-the-box” and change occupational licensing requirements so that people who have been arrested or incarcerated have a real shot at going to work. Ban-the-box reforms are laws and policies that remove conviction history questions from job applications and delay background checks until later in the hiring process. According to the National Employment Law Project, other fair-chance policies include adopting EEOC guidance on the use of arrest and conviction records in employment decisions; creating targeted programs that combine community hiring requirements with ban-the-box; and requiring employers to consider the job-relatedness of a conviction and mitigating factors such as time passed or rehabilitation. At last count, ban-the-box and fair-chance hiring policies were in place in 33 states and 150 cities and counties, with some policies extending beyond public-sector jobs to the private sector and to public contractors.[50] Policymakers are also looking at the laws and regulations that limit occupational licensing opportunities for people with criminal records.[51] Further expansion of fair-chance hiring—preferably through federal action—as well as occupational licensing reforms, will go a long way toward reducing some of the employment barriers faced by the formerly incarcerated and helping their communities recover. These reforms must be accompanied by a broader set of criminal justice and reentry reforms aimed at reducing incarceration rates and recidivism and helping formerly incarcerated people access skills development, housing, and other resources.

4 African Americans should have a chance to build generational wealth long denied them by slavery, Jim Crow laws, and discriminatory and predatory practices of financial institutions

Problem The median net worth of black families in America is about one-tenth the median net worth of white families (about $17,600 versus about $170,000). And almost one-fifth of America's black families have zero or negative net worth, compared with less than one-tenth of white families.[52] This racial wealth gap is emblematic of the enduring legacy of racism in the United States that systematically deprived African Americans of opportunities to build wealth over generations while simultaneously serving to privilege or enrich whites. Much of this was driven by explicit government policies at the local, state, and federal levels.[53] Wealth, even in modest amounts, gives workers choices. It serves as an economic cushion when they lose a job and when they switch jobs. It provides the financial capital necessary to make investments in education, retirement savings, or entrepreneurial pursuits. The racial wealth gap limits the choices available to black workers and effectively reduces their power in the labor market.

Reform Commission serious investigation and development of proposals to make reparations for the centuries-long barriers erected to the ability of African American families to build wealth—barriers that include not only the injustices of slavery and Jim Crow laws but persistent discrimination in housing, labor, and financial markets. While black educational attainment has improved significantly in the past five decades, blacks cannot close the vast racial wealth gap through greater educational attainment. Nor does the solution lie in boosting black homeownership or in other incremental changes in practices. Slavery and Jim Crow laws denied African American workers and their families the opportunity to acquire and retain the same assets that have been a valuable source of intergenerational wealth for many white families.[54] However, while closing the wealth gap requires a more comprehensive solution, enforcement of fair housing and fair lending laws is a critical part of preventing further widening of the wealth gap. Additionally, strengthening successful social insurance programs, including Social Security and unemployment insurance, will help to provide more equitable access to some of the cushion that wealth provides.

Immigration

Ensure that immigrant workers and guestworkers have labor rights and a path to citizenship

Immigrants make valuable economic and social contributions to the United States. Employers, however, are often able to manipulate our current immigration system to exploit immigrant workers, degrade labor standards, and keep their workers' wages low. We need to reform our immigration system so that labor standards are upheld for all workers.

1 Unauthorized immigrant workers and guestworkers must have labor rights, be protected from retaliation and deportation when they exercise their rights, and have a path to permanent residence and citizenship

Problem

While immigrants make significant economic and social contributions to the United States, a key problem with the U.S. immigration system is how it has been exploited by employers. Specifically, employers have too often gamed aspects of the immigration system to minimize the bargaining power of both immigrant workers and the native-born workers who work alongside them. In particular, employers use immigration status—either the lack thereof or temporary immigration statuses that are contingent on employment—to create implicit zones in the labor market where immigrant workers have few rights.

Two hypothetical but very real scenarios illustrate how this works. An unauthorized immigrant working as a janitor is afraid to speak out when his employer puts him in an unsafe environment or doesn't pay him the wages he is owed. Confronting the employer or reporting legal violations to local, state, or federal government authorities could lead to the employer notifying immigration enforcement authorities about the worker's unauthorized status. The situation is not all that different for a hotel worker in the United States who is technically a "legal" worker holding a work visa in a temporary labor migration or "guestworker" program. If the migrant guestworker confronts her employer for mistreating her or reports legal violations to the Labor Department, she may be fired in retaliation. For guestworkers, getting fired or leaving an abusive employer means losing their visa status, and becoming deportable. (They become deportable because the guestworker visa is tied to a specific employer and, in most cases, guestworkers are not allowed to change employers.) And since most guestworkers have paid large sums to recruiters to obtain their temporary jobs in the United States, losing their visa and job also means becoming indebted and at risk for human trafficking. This hotel guestworker's plight is not an isolated scenario. Research shows that U.S. temporary guestworker programs are rife with abuse and operate with very little oversight or enforcement of labor standards. In addition, temporary guestworkers in both low- and higher-wage occupations are often significantly underpaid because of loopholes in program regulations.

The upshot is that employers underpay and exploit unauthorized immigrant workers and temporary guestworkers, which degrades wages and labor standards for all workers who are similarly situated in the labor market.[55]

Reform Create a path to citizenship for unauthorized immigrant workers and replace our current temporary guestworker programs with new models that tie labor migration to legitimate labor shortages and labor market needs, and offer migrant workers permanent residence and citizenship. These actions will help restore the bargaining power of temporary migrant workers, permanent immigrants, and native-born workers by reducing the ability of employers to exploit workers and pay them below-market wage rates. A national immigration policy premised on welcoming new permanent residents and citizens who have equal rights would support, instead of undermine, fair wages and safe working conditions for all workers.

As we work toward this new system, we can take intermediate steps: First, provide unauthorized immigrants with “deferred action” (a temporary postponement of deportation) coupled with employment authorization documents that make them eligible to work. Second, provide current guestworkers with strong protections against wage theft and workplace violations and employer retaliation for reporting abuses. These protections would include deferred action and work authorization, as well as visa portability, allowing guestworkers to switch employers.[56]

Tax Reform

Implement progressive tax increases to promote broadly shared prosperity

Inequality has grown dramatically over the last four decades: The top 1 percent have enjoyed extraordinary income growth, while growth for the vast majority has been anemic.[57] Further, corporate profits have hit historic highs in the current economic recovery.[58] Yet we have largely not asked high-income households to pay higher tax rates, and we have allowed corporations' contributions to federal taxes to fall to historic lows. Higher tax rates on rich households and corporations would not only help finance needed public investments and social insurance expansions, they would also reduce the incentive for CEOs and other privileged economic actors to rig the rules of the economy to send more money flowing their way.[59]

1 Corporations should contribute more, not less, to tax revenues

Problem The corporate income tax rate is at a 75-year low,[60] and loopholes in the U.S. tax code allow corporations to reduce their tax bill even further.[61] Revenue collected from the corporate income tax was on the decline even before the Tax Cuts and Jobs Act (TCJA) passed at the end of 2017, and this new round of corporate tax cuts will further cut this revenue.[62] These tax breaks for corporations have done nothing to help typical workers—strong corporate profits during the current recovery have not led to productivity-enhancing investments,[63] and wages for typical workers have lagged behind even the slow productivity growth we've seen over this time.[64]

Reform Raise the corporate income tax rate and close loopholes in the tax code to shore up the corporate income tax base—for example, by reining in corporations' ability to shift profits overseas. Policymakers can also experiment with ways to include incentives in the tax code for corporations to grant wage increases.[65]

2 The finance sector's political and economic clout should be restrained with a financial transactions tax (FTT)

Problem The concentrated power (both economic and political) of the financial sector harms living standards of ordinary households by allowing the financial sector to extract exorbitant amounts of money without doing much to add additional value to the economy. Between 1973 and 2007, the share of national income claimed by finance more than doubled. Yet the rise of finance did not coincide with better or more efficient allocation of capital (a primary justification for financial activities). For example, business fixed investment as a share of national income did not rise, and productivity growth slowed dramatically relative to previous years.[66] And, as the financial crisis of 2008 clearly showed, the rise of financial incomes did not coincide with more efficient management of risk for the rest of the economy.

One reason the financial sector has been devouring a rising share of overall income in recent decades is because players who charge fees for managing assets are doing as many transactions as possible to justify their fees.[67] These fees, along with lax regulation, have created incentives for professional money managers to undertake an inefficiently large number of transactions. Most of these transactions do not lead to more productivity-enhancing investments in plants, equipment, or research, but are instead just zero-sum bets against other money managers. The result is a huge increase in financial sector incomes with no aggregate gain to the nonfinancial sector of the economy. Research has shown that once the size of the financial sector passes a certain threshold, further expansions actively *reduce* economic growth. The U.S. financial sector is well past that point.[68]

Reform Implement a financial transactions tax (FTT) to clamp down on wasteful Wall Street speculation and rein in the power of the financial sector.[69] Even more than in most policy areas, the details regarding implementation of an FTT are key—for example, tax rates would need to differ depending on asset types and maturity to reduce the likelihood that managers could avoid the tax by shifting funds between asset classes. For quick reference, the revenue-maximizing benchmark rate on equity trades for an FTT has been estimated to be just over 0.34 percent.[70] But given that there are benefits from an FTT besides just raising revenue, the revenue-maximizing rate should not constitute a *de facto* ceiling on rates.

An FTT is win-win for ordinary households. If financial professionals do not change their behavior at all and just pass the cost onto holders of assets, then it is effectively a very progressive tax that will raise staggering amounts of revenue from households that own financial wealth—revenue that could be used to finance public investments or expand the public safety net. If financial professionals do change their behavior in response to an FTT, then fees charged to the rest of the economy for trading will fall, lowering costs of finance to all sectors and enabling price declines that will give households more money to spend on nonfinancial goods and services.

3 The tax system should be a more robust check on growing inequality

Problem The top marginal individual income tax rate today is dramatically lower than it was in the three decades following World War II; yet the economy grew faster and more equitably from 1945–1979 than it has since. A series of cuts in top tax rates began in the mid-1960s—culminating in a 50-year low in the late 1980s.[71] Since then top rates have been raised or lowered depending on which party has controlled Congress and the presidency, but the top rates even at their highest points post-1979 have not come close to top rates in the 30-year period after World War II. Comparatively low tax rates in recent decades didn't only sacrifice potential revenue that could have been used to provide public investments or safety net expansions, they also provided incentives for people with political and economic power (think CEOs) to rig the rules of the economy to tilt ever more income their way.[72] These policy changes are the root cause of the staggering increase in inequality we've seen in recent decades.[73]

Reform Raise top marginal rates closer to the "revenue-maximizing" rates identified in the economics literature. This literature clearly shows that the revenue-maximizing top rate for federal income taxes is much higher than the current top rate of 37 percent.[74]

4 Income from wealth shouldn’t get special tax treatment

Problem Income from work (wages and salaries) gets taxed at higher top tax rates than income derived from owning wealth (e.g., dividends, capital gains, or “pass-through” business income).[75] Further, lack of tax enforcement and large loopholes in the U.S. tax code often allow income from wealth to escape taxation completely as it is passed from generation to generation.[76]

Reform Raise top tax rates on wealth-based income to narrow the gap between these rates and those imposed on income from work. In addition, radically upgrade tax enforcement[77] and close loopholes that allow the wealthy to avoid even the low taxes they owe and to pass on bequests and gifts entirely untaxed.

5 Regressive and opaque ‘tax expenditures’ should be replaced with more transparent spending

Problem

The cost of tax expenditures—subsidies delivered through the tax system, or “tax breaks”—exceeds the cost of direct spending on all programs funded through the normal budget process, including national defense.[78] Tax expenditures can take the form of special exemptions, deductions from taxable income, tax credits, or lower tax rates for certain activities, among others. Ostensibly these provisions are in the tax code to encourage individuals and corporations to work toward socially desirable goals—say, saving for retirement or investing in plants or equipment—or to benefit specific groups, such as working parents. Of course, the government could try to subsidize activities or groups with direct spending—for example, by providing people with matching contributions to retirement accounts, investing in public infrastructure, or offering government-provided child care. Because of this potential correspondence to direct government spending, these special tax provisions have been dubbed “tax expenditures.” However, spending that runs through the tax code is more opaque than direct government spending. It also tends to be highly regressive—conferring greater benefits to taxpayers higher up the income scale. While citizens would be up in arms if, say, the government provided a dollar matching contribution for each dollar a high-income person contributed to their retirement account and only a fifty cent matching contribution for each dollar a low-income person contributed, tax incentives that favor high-income people but do so in a less obvious way are often overlooked or taken as sacrosanct.

Many corporate tax incentives reward corporations that engage in nonproductive tax avoidance schemes and lobbying rather than undertaking a socially desirable activity like investing in plants and equipment. For example, hedge funds and private equity firms have employed an army of lobbyists to preserve a “carried interest” loophole that allows partners in these investment business to pay lower taxes on their compensation than they would if it were taxed as wage and salary income. Meanwhile, many individual tax “incentives” bestow windfalls on the already-affluent rather than leading to positive changes in behavior. For example, wealthy families can benefit from tax subsidies intended to help families save for retirement simply by shifting some of their wealth to tax-favored accounts rather than actually saving more. These families also use investment and tax strategies devised by financial advisers to take full advantage of the fact that investment earnings in these accounts are not taxed annually and that they can choose whether to pay taxes on contributions up front or when funds are withdrawn. In contrast, low-income families, if they are able to contribute modest amounts in the first place, tend to focus on limiting investment risk rather than maximizing their tax benefit. Moreover, those who owe payroll and other taxes but no income tax get no break at all for saving in these accounts. For these reasons, roughly three-fourths of tax expenditures for retirement go to the top 20 percent of taxpayers. This problem has been exacerbated as Congress has increased limits for contributions to these tax-favored accounts far beyond what most workers and their employers can afford to contribute—as high as $62,000 for some workers.[79]

Reform Regularly evaluate tax expenditures rather than treating them as ongoing entitlements, with the goal of reforming, scaling back, or eliminating tax expenditures that are not effective at achieving their stated purpose. Policymakers should take an especially close look at tax expenditures that disproportionately benefit higher-income households and powerful corporations. This scrutiny should not affect tax expenditures that help low-income families, notably the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC).

In many cases, we can ensure that more of the benefits of “upside down” tax expenditures flow to lower-income families by converting them to refundable tax credits. Making credits refundable means that if the value of the credit exceeds the income tax owed, the taxpayer can receive the balance as a refund. An example of a long-overdue reform that would be fairer and more effective than the current system is expanding the retirement Savers Credit and making it refundable. The Savers Credit allows low- to moderate-income taxpayers to claim a credit for a portion of the first $2,000 they contribute to a retirement account during the year. However, because the credit is not refundable and requires filing a longer tax form, few people in the target population can take advantage of it. Expanding access to the credit, increasing its value, and making it refundable or structuring it as a matching contribution would do more to promote retirement security than allowing families to contribute large amounts to tax-favored accounts.[80] Therefore, the cost of an expanded and refundable Saver’s Credit could be offset by lowering contribution limits to these accounts.

6 The price of emitting greenhouse gases should be high enough to substantially reduce greenhouse gas–emitting activities

Problem Greenhouse gas (GHG) emissions are a textbook example of economic *externalities*, or costs resulting from economic activity that are not fully borne by those undertaking the action. If an electrical utility in Ohio burns coal and emits GHGs in the process of supplying electricity to consumers in Cleveland, residents of Washington, D.C. (or Africa or Asia, for that matter) are not part of this transaction, yet the accumulation of GHGs in the atmosphere will raise global temperatures and impose costs on them. Because the cost of emitting GHGs is not fully faced by those producing or consuming the goods or services associated with the emissions, there is a clear incentive to overproduce GHG-intensive output.

Reform Impose a price on emissions of GHGs that approximates the costs these emissions impose on society at large. A price that reflects the true cost of emissions would provide a clear incentive to reduce GHG emissions enough to meaningfully slow global warming. (Note that this price is significantly higher than what is often referenced in current policy debates.[81]) There are a number of policy tools we could use to do this in the United States as we work toward a global price on GHG emissions. A carbon tax could be imposed on every ton of GHGs emitted. Alternatively, an overall cap on GHG emissions could be imposed and permits issued that give the permit-holders a right to emit some amount of GHGs. The total number of permits in this system would equal the overall cap, and the permits would be tradeable (i.e., firms could buy and sell permits among themselves). The initial distribution of these permits should be allocated based on an auction run by governments. Either tool—a carbon tax or a permit trade system—would raise the cost enough to disincentivize excess emissions. In the short run, this would lead to a rising cost of GHG-intensive goods and services. Electricity prices, for example, would rise. A significant portion of the revenue raised from a tax on GHG emissions (or from auctioning off permits) should be recycled back to households progressively (for example, through tax credits or rebates for low- and moderate-income households), to ensure that higher energy costs don't decrease their real income.[82] The remainder of the revenue could be earmarked for public investments to slow and/or mitigate the effects of global climate change (see the "Public Investments" section of EPI's policy agenda). Eventually, the cost of emitting GHGs anywhere in the world should face an identical price, a goal that requires international coordination of policies to put a price on emissions.

Fair Globalization and Balanced Trade

Manage globalization for the benefit of workers, not corporations

Theory and real-world evidence tell us that economic globalization—particularly trade with lower-wage nations—puts downward pressure on the wages of most American workers. Globalization leads to greater domestic specialization in production, as countries can focus resources on industries in which they have a comparative advantage. For the United States, this means that it shifts production of labor-intensive goods overseas and expands capital-intensive production domestically, reducing demand for labor and increasing rewards for capital owners.[83] Besides the mechanical effect on wages stemming from this reshuffling of domestic production in response to globalization, the mere threat of offshoring labor-intensive production may reduce the bargaining power of workers without a college degree.[84]

This is what has happened since globalization expanded rapidly in the 1970s and accelerated in the 1990s. Policymakers should have prepared for these predictable outcomes. They had plenty of options that would have showed they took these concerns seriously. They could have used trade policy (tariffs and other forms of trade protection) to cushion the shock of globalization and make integration happen at a more measured pace, or they could have provided compensation for those on the losing end by making the tax and transfer system larger and more progressive, or they could have used domestic measures (like changing labor law) to boost the bargaining power that globalization was sapping. Instead, policymakers amplified the wage-suppressing, inequality-fueling effects of globalization. Specifically, they allowed the U.S. dollar to become overvalued (which made U.S. goods more expensive on global markets and led to large and damaging trade deficits) and signed trade agreements that eroded workers' power while protecting corporate profits.

The effects of globalization and our failed policy response to it are not just a problem for white manufacturing workers in the Rust Belt. They affect the majority of workers and likely fall disproportionately on the wages of nonwhite workers.[85] Fortunately a progressive response to globalization can mitigate past damage and get us on a path to managing globalization for the benefit of workers. But first we must reject the false promises that tweaks to the next trade agreement will help American workers. These promises that the next trade agreement will be better than the last for American workers have been made for decades, but these promises have never come true. A next "better" trade agreement will not appear because corporate interests have effectively captured the entire process of negotiating trade agreements and that has not changed under the current administration.

Instead of letting multinational corporations set the priorities of international economic policymaking through a captured process of negotiating trade agreements, we should instead simply follow three broad rules: First, we should restore and protect American manufacturing by using policy levers to ensure that American manufacturers' ability to compete on global markets is not hamstrung by a chronically overvalued dollar, as it has been for decades. A competitive value of the dollar will allow persistent trade deficits in manufactured goods to shrink, allowing room for millions more domestic manufacturing jobs. Second, we should ensure that the rules of international trade and investment do not privilege corporate interests and profits over those of workers and typical households. Third, once overall trade is balanced between countries, we should give American producers and workers a fair shot in global competition by making sure other countries' trade policies do not lead to an unlevel playing field. For example, when other countries' exports to the U.S. are subsidized by industrial policy, we should be free to use trade protection or countervailing subsidies for our exports. Finally, we should use multilateral trade rules to address big international challenges—like global tax havens and greenhouse gas emissions—that have been ignored by international economic policy.

1 The value of the U.S. dollar must be kept at levels that keep trade flows closer to balanced and U.S. exports competitive

Problem When the dollar is expensive relative to other currencies, it's more expensive to produce things in the U.S. and U.S. exports become more expensive on global markets. In addition to making U.S. exporting industries less competitive in global markets, an expensive dollar also makes imports to the U.S. cheap, inducing consumers to switch away from domestic products. The result of importing more from other countries, and exporting less to them, is a growing trade deficit. Trade deficits have been the primary reason why we have millions fewer manufacturing jobs today than we averaged in the 35 years between 1965 and 2000. For decades, the value of the U.S. dollar has been kept too high to allow exports and imports to balance. The dollar stayed expensive for a number of reasons, including the intentional decisions of important trading partners to keep their own currencies cheap and run large trade surpluses vis-à-vis the United States. In the end, it doesn't matter as much why the dollar is too expensive: net exports are harmed by an expensive dollar regardless of the cause.

Reform Policymakers should make a competitive value of the dollar a key priority. There are a range of approaches that could be taken to achieve this. We could engage in international negotiation—like the 1985 Plaza Accord that led to a more competitive dollar and reduced trade deficits. If negotiations fail, the U.S. Treasury and Federal Reserve could unilaterally sell dollars in global markets to reduce the price of the dollar and realign the dollar's value against other currencies to ensure it stays at a competitive level. Or we could impose a tax on the purchases of dollar-denominated assets by foreign governments and investors to reduce demand. Policymakers have a range of tools that can realign the dollar—they should choose one or more and get to work.

2 Trade policy should not privilege corporate interests over workers

Problem Trade agreements in recent decades have made it easier for companies to relocate production offshore, placing American workers in direct competition with workers around the world. At the same time, they have carved out enhanced protections for corporate profits. These corporate protections include expanded intellectual monopoly protections, and the creation of private tribunals instead of democratically accountable forums to settle disputes between governments and corporations. Such tribunals—established under investor-state dispute settlement (ISDS) provisions—have made it easier for corporations to invest in production abroad by helping ensure that assets abroad are protected from changes in foreign governments' policies (including simply regulatory changes) that may threaten corporate profits. The North American Free Trade Agreement (NAFTA) was the model agreement that introduced the extreme imbalance between corporate and labor protections in a trade pact.

Reform NAFTA-style trade agreements that expose workers to global competition while beefing up protections for corporate interests should be consigned to history. Future agreements should not include onerous intellectual property protections that force foreign governments into becoming bill collectors for pharmaceutical, software, and entertainment companies in the U.S. Investor-state dispute settlement provisions should not be part of trade or investment agreements. Access to the U.S. market should be contingent on countries' enforcement of the core labor standards as identified by the International Labour Organization. These core labor rights should also be subject to binding enforcement in the United States.[86]

3 Trade enforcement tools and industrial policy should keep global playing fields level

Problem Even after currencies are aligned to balance trade, and after trade agreements are fundamentally changed to protect workers rather than corporations, other countries may engage in measures (like subsidies to specific export industries) that restrict American manufacturers' ability to compete fairly in global markets. By pursuing such industrial policies, U.S. trading partners could potentially harm the competitive position of particular American producers even if the overall trade regime has largely been balanced.

Reform Vigorously enforce existing trade laws and/or provide countervailing domestic subsidies to industries that have been targeted by trading partners' governments for strategic reasons.[87]

4 Multilateral trade rules should address big international challenges—like global tax havens and greenhouse gas emissions—that have been ignored by international economic policy

Problem For most of the past few decades, international economic policy has been focused on crafting corporate-friendly trade agreements and making excuses for not addressing the overvalued dollar, while clear global problems continue. These problems include tax havens that allow the rich to escape taxation and starve countries of needed revenue (see EPI's "Tax Reform" policy agenda) and the unabated emission of greenhouse gases (see EPI's "Climate Policy" agenda).

Reform The focus of international economic policy should be on big problems actually harming families in America and around the world. We should negotiate global compacts to track offshore wealth and crack down on tax havens and binding agreements to lower greenhouse gas emissions.

Social Insurance and Health Care

Strengthen and expand our public social insurance programs and improve employer-based benefits

Social insurance programs—such as Social Security, Medicare, and unemployment insurance—are essential social and economic anchors. People pay premiums into these public programs through payroll deductions (and, in the case of Medicare, also more broadly through their taxes), which is why many of these programs are also referred to as "earned benefits." Employers pay into these programs, too. In return, people get benefits to help keep them afloat when they retire or when life circumstances make them vulnerable. For example, when they age out of the workforce and no longer earn wages, they rely on Social Security benefits. When they are hurt on the job and can't work, workers' compensation comes to their aid. Or when they lose a job and can't immediately find a new one, unemployment benefits help them pay their bills. Strengthening our social insurance programs will ensure that people can support themselves and their families, pay for health care, and avoid falling into poverty after losing a job, getting older, or suffering from illness or injury.

Insurance markets are rife with market failures; because of this, government can often provide crucial types of insurance more efficiently (see "The advantages of social insurance programs" below). But our current social insurance system is underfunded, and its benefits are largely unavailable to tens of millions Americans who rely on patchier and less efficient coverage provided by private systems of insurance, such as employer-sponsored health insurance and employer-provided paid family and medical leave. In most cases the end goal of policy should be to offer a vastly expanded set of public social insurance systems that displace private coverage. But these private systems are large and complex and an overnight root and branch replacement of them would be politically difficult. Given this, adopting larger social insurance systems is a process that requires introducing better regulations and robust public options alongside existing systems. In the recommendations below, we call for improvements to entrenched private systems to make them work better for those whom they serve in the short run, and bold steps to strengthen and expand our nation's social insurance programs in the long run. The private systems can be improved by mandating certain benefits and by standardizing and effectively regulating employer benefits and individual insurance. Our policy agenda also calls for broader access to health coverage through a robust public option that competes against private insurance; for secure, guaranteed retirement accounts in lieu of inadequate and risky 401(k)s; and for government-administered paid family and medical leave. These reforms will further help American families and communities prepare for retirement and weather the challenges they face.

The advantages of social insurance programs

Efficiency. Public insurance programs offer low-cost protection by spreading risk and taking advantage of economies of scale. Because people are automatically covered by these programs (Medicare, for example, covers all workers, though people only become eligible for benefits when they turn 65 or incur long-term disabilities), overhead costs and risks are spread over large groups—sometimes across generations. Contrast this with elective coverage with private insurers, when people at higher risk disproportionately choose to purchase insurance, driving up costs and making some insurance, such as long-term care insurance, prohibitively expensive. Private insurance premiums are also higher because they cover marketing costs and profits.

Equity. Public insurance programs ensure that everyone is protected. Buying private insurance is a complicated transaction that can intimidate potential buyers or result in them paying too much. Overpayment occurs because the difficulty of comparison shopping blunts competitive forces that normally keep costs down. This complexity and people's understandable mistrust of companies that have a financial incentive to deny their claims reduces the number of people protected by private insurance. And though employer-provided group policies have some advantages over individual policies—particularly for large employers—relying on employers to provide health insurance and other benefits leaves workers who are employed by "low-road" employers unprotected.

Economic stability. Public insurance programs also play an important role in stabilizing the economy by expanding government spending during recessions and contracting spending during recoveries. So when a sharp drop in business or consumer spending causes a recession, a program such as unemployment insurance kicks in, providing replacement income to displaced workers and thus restoring economywide demand for goods and services. When the economy starts to recover and people go back to work, fewer unemployment benefits are paid out and government spending automatically contracts to accommodate rising private demand. Research shows that spending increases from extended unemployment insurance benefits provide a much bigger bang for the buck than other forms of fiscal stimulus such as tax cuts.[88]

1 Workers should be able to earn adequate Social Security benefits

Problem Social Security is our country's most important source of retirement income as well as its most important anti-poverty program. In addition to enabling workers to earn secure retirement benefits, Social Security protects workers and their families from financial devastation when a wage-earner is disabled or dies. But Social Security faces a long-run shortfall largely because wages aren't growing fast enough for most workers.[89] Another contributing factor to this shortfall has been rising life expectancy among high earners.[90] Meanwhile, cuts included in a 1983 reform of the program have already reduced benefits by an average of around 22 percent for GenXers and Millennials,[91] cohorts that have also experienced the decline of secure employer-based pensions.[92]

Reform Broaden Social Security's tax base in a progressive fashion—i.e., include more of the income of high earners in the pool of income that is taxed to fund Social Security. Among other things, this would involve eliminating the cap on taxable earnings (currently, earnings above $128,400 are not subject to Social Security tax). Progressively broadening Social Security's tax base would avert a shortfall and allow benefits to be expanded across the board, restoring some or all of the benefits cut in 1983.

2 All workers should have access to a secure retirement plan

Problem Over the past generation, the shift away from secure defined-benefit pensions and toward risky defined-contribution plans such as 401(k)s has failed the majority of workers. 401(k)s are a bad deal for workers because they shift much of the burden and risk of saving for retirement from employers to workers.[93] This shift has dramatically increased the likelihood that workers and their families won't have adequate income as they age.[94] Roughly half of American workers do not currently participate in employer-based retirement plans—in many cases because their employer doesn't offer one or because they don't meet eligibility requirements set by the employer.[95] The typical family has little or nothing saved in a retirement account. Because many low- and moderate-income families owe payroll taxes but not income tax, current tax subsidies for contributions to retirement accounts provide little or no benefit to these families; instead, these tax incentives disproportionately benefit high-income families.[96]

Reform Require employers to contribute toward all workers' retirements. Additional voluntary contributions by workers and employers should be offset by progressive tax subsidies, ensuring that low-income workers can afford to participate. Workers should have access to low-cost plans with pooled and professionally managed investments that provide secure lifetime benefits. Ideally, plans should provide some intergenerational risk-sharing so that retirement outcomes are less susceptible to market swings. The proposed Guaranteed Retirement Account (GRA) plan is a good example of such a plan.[97]

3 Workers and their families should have access to affordable health care

Problem Health care in the United States is expensive (particularly as compared with many peer countries), and adequate health insurance coverage is still unattainable and unaffordable for many.[98] While the Affordable Care Act (ACA) has made a significant dent in the number of uninsured—through states' expansion of Medicaid and federally funded premium tax credits—many states have elected to *not* expand Medicaid[99] and/or do not have strong enough regulation of state-level ACA exchanges to ensure quality health coverage is affordable to their residents.[100] Millions remain uninsured, and many with insurance continue to face high premiums and out-of-pocket costs that put downward pressure on their wages and incomes.[101]

Reform Increase the role of public financing and regulation of health care, working toward the long-term goal of ensuring universal access to health care while restraining cost growth (following the successful models of peer countries). Given how entrenched and enormous the private sector for health coverage is today in the United States, it is unlikely that any "Big Bang" reform (such as a "single-payer" or "Medicare-for-all" plan) will be passed soon. But a number of separable policy solutions can be implemented that would immediately solve key problems while putting us on the path to a more fair and efficient system. These include (1) expanding existing public programs like Medicare and Medicaid, allowing a much larger population to enroll; (2) introducing a "public option" for ACA marketplaces; (3) instituting "All payer" rates that allow private payers to share in the benefits of the bargaining clout of Medicare; (4) eroding the intellectual monopoly that the government hands to pharmaceutical and medical device sectors when it grants patents on all manner of competing and redundant drugs and devices, and introducing public drug trials so that drug companies don't have to recoup the costs of expensive private trials through higher drug prices;[102] and (5) increasing antitrust scrutiny of hospital consolidations.[103]

4 Families should have access to affordable long-term care when they need it

Problem Roughly one in two Americans will require long-term care at some point in their lives.[104] Long-term care involves help with the daily activities of life ranging from housework and grocery shopping to eating, bathing, and dressing. While the need for long-term care is more likely as people age, many people under the age of 65 will also need long-term care. Paying for long-term care out of pocket can be devastatingly expensive. However, privately purchased long-term care insurance is too costly for most people, and unavailable at any cost to people with medical conditions that disqualify them under insurers' increasingly strict eligibility rules. Even when it can be purchased, long-term care insurance offers limited benefits.[105] The inability of long-term care insurers to offer affordable, adequate coverage is due in part to adverse selection—the fact that people at higher risk are more likely to buy insurance. Also, because people rarely think about buying long-term care insurance before they are middle-aged—and often in poor health—costs are not spread out over a lifetime. Medicaid does provide *de facto* long-term care insurance, but to receive means-tested benefits, a person must first spend down income and assets to meet eligibility requirements. This Medicaid "spend-down" is a complicated and extremely inefficient mode of financing long-term care. It requires that individuals and their families navigate complex income and asset rules that vary by state and it provides little in the way of risk pooling, since many people with long-term care needs end up shouldering most of the cost themselves before becoming eligible for Medicaid.

Reform Cover most long-term care services through a social insurance program, allowing the costs to be spread across an individual's work life and pooling the risk across generations. Reforms should also make it easier for people to receive home- and community-based services and should provide more support to family caregivers, so people can stay in their homes as they age or when they need long-term care for other reasons.

5 Workers should have access to paid family and medical leave

Problem The Family and Medical Leave Act (FMLA) allows eligible employees to take up to 12 weeks of unpaid, job-protected leave within a 12-month period for a serious health condition, the birth of a child and to care for a newly born child, to care for a newly adopted child or a newly placed foster child, or to care for an immediate family member with a serious health condition. Unfortunately, because eligibility is limited based on size of firm, work hours, and tenure at job, the FMLA only provides access to an estimated 56 percent of the workforce.[106] But the most serious shortcoming in the FMLA is that leave is unpaid—many workers who want to take leave to care for themselves or a family member simply cannot afford to. Only 13 percent of private-sector workers have access to any paid family leave. And the lowest-wage workers (those in the bottom 10 percent of the private-sector wage distribution) are one-sixth as likely to have paid family leave as workers in the top 10 percent.[107] Due to this widespread lack of paid family leave, workers have to make difficult choices between their careers and their caregiving responsibilities precisely when they need their paychecks the most, such as following the birth of a child or when they or a loved one falls ill.[108]

Reform Establish national paid family leave that covers all workers, regardless of firm size, work hours, or tenure.

6 Workers should be able to support themselves and their families when they lose their jobs

Problem The federal–state unemployment insurance system provides benefits to workers who have lost their jobs and are actively looking for work. But this system is underfunded and protects fewer and fewer workers. The states set payroll tax rates for individual employers based in part on the employer's history of laying off workers who receive benefits. These taxes go into state trust funds maintained at the U.S. Treasury.[109] Though there are minimal federal standards, the states determine eligibility requirements for benefits and administer the programs. A 1994 advisory council recommended that states beef up funding for the system, but many states did the opposite, leaving a threadbare system that offers few protections to workers.[110] Many states imposed onerous and arbitrary requirements for accessing unemployment benefits that do far more to discourage eligible applicants than to defend program integrity. Restrictions on coverage combined with growth in the contingent workforce have also led to fewer workers meeting eligibility requirements. The short-sighted embrace of austerity measures—such as reductions in benefit duration and an increased reliance on often-unreliable online claim filing systems—have also reduced access to benefits. An increased emphasis on poorly resourced and ill-timed job training as a condition of receiving benefits may also discourage some unemployed workers from applying for benefits and may even slow reentry to the workforce by interfering with job searches. Further, the decline of unemployment insurance has reduced workers' bargaining power, meaning workers are often forced to quickly accept jobs that are a poor match for their skills or that pay less than comparable jobs in the area. The weakened unemployment insurance system hurts more than unemployed workers and their families. It threatens a speedy recovery from the next recession because it means unemployment insurance provides less of an automatic stabilizer to the economy during downturns.[111]

Reform Require states to (1) provide at least 26 weeks of unemployment benefits, as was the standard for over half a century before the Great Recession; (2) replace at least half the earnings of low- and middle-income earners; (3) eliminate unreasonable eligibility requirements; (4) cover part-time workers; and (5) eliminate waiting periods for benefits. Administrative funding should be increased and systems updated to ensure applicants have equal and timely access to benefits whether they apply in person, by phone, or online. Unemployment insurance trust funds should be restored to full funding by, among other means, indexing the taxable wage base to inflation in states that do not already do so. The federal unemployment tax base and the federal government’s role should also be expanded to promote macroeconomic stability and ensure that states do not respond to increased need by restricting eligibility or reducing benefits during recessions. States that have not already done so should also consider implementing and better promoting “short-time compensation” programs (also known as work-sharing or shared-work programs) to employers as an alternative to layoffs. This type of benefit partly compensates workers for income loss due to reductions in their hours, allowing employers to use reduced hours as a tool to avert layoffs during economic downturns.[112]

7 Workers and their families should be adequately protected from the devastating economic effects of workplace illness or injury

Problem

Workers' compensation is supposed to insure workers against medical expenses and lost earnings caused by work injuries and illnesses. It is the oldest form of social insurance in the country, the result of a "grand bargain" between employers and workers whereby employers were shielded from lawsuits in exchange for insuring their workers. However, the state-run system has been dismantled piecemeal as workers' voices have been weakened and business lobbies have taken up writing legislation. Absent federal oversight, compensation for the same injury can be 10 times higher in one state than another, and arbitrary limits are placed on the duration of disabled worker and survivor benefits even for injuries causing permanent and severe disability or death. Many states' workers' compensation laws continue to exclude entire occupations, such as farmworkers and domestic workers, as well as small-business, part-time, or seasonal employees. In much of the country, a no-fault system that was supposed to promote cooperation between employers and workers has been replaced by one where employers and private insurers have strong incentives to deny claims and are able to do so by controlling the medical review process. Most injured workers do not file claims in the first place because they fear retaliation (this is especially true among undocumented workers), because they have been misclassified as independent contractors and are therefore not protected by workers' compensation laws, or simply because they are aware that the system is stacked against them. Premium rates and benefits have plummeted to a 30-year low even as health care costs have multiplied. As a result, workers' compensation payments now cover only a fifth of costs stemming from work injuries and illnesses. States are engaged in a race to the bottom, competing to lower costs for businesses while injured workers and taxpayers pick up the tab.[113]

Reform

Restore federal oversight of workers' compensation and set minimum benefit and coverage standards based on the recommendations of a 1972 reform commission. These recommendations include allowing workers to choose their own doctors; requiring that all employees be covered regardless of occupation, employer size, or part-time status; replacing two-thirds of lost earnings at least up to the average wage; and abolishing arbitrary limits on benefit duration.[114] Strong laws should also be enacted to protect workers against retaliation and ensure impartial claims decisions.

Public Investments

Make public investments in infrastructure and human capital to boost productivity, opportunity, and sustainability

In the long run, living standards can only grow as fast as productivity increases. Productivity (the income generated in an average hour of work) rises over time as workers get better-educated and experienced, as these workers are given better tools and capital to work with, and as technology advances. Public investments can enhance all of these determinants of productivity. Investments in education and a strong safety net for children boost the nation's stock of human capital, infrastructure investment builds up the nation's physical capital stock, and publicly financed research and development is crucial to developing productivity-enhancing technologies. Too often policymakers say we can't afford to make these crucial public investments, and hence our our physical and human capital stock is being starved in the name of fiscal austerity. This is the definition of "penny-wise but pound-foolish," as the economic returns to public investments are enormous.[115]

1 Infrastructure investments are a key, but too often neglected, ingredient for equitable growth

Problem Public investments in the nation's physical capital and infrastructure have been too low to keep productivity growth at an acceptable pace. While there is no universally agreed-upon definition of what constitutes "infrastructure investment," it generally means capital investments in transportation, utilities, and environmental projects, and sometimes includes investments in the construction and maintenance of schools and hospitals. In earlier historical periods when public investment in infrastructure was substantially higher, productivity growth was substantially faster. But productivity growth has decelerated sharply in recent years, and that deceleration of productivity (income generated in an average hour of work in the economy) lowers the rate at which living standards can rise. Boosting productivity growth through increased public investments in infrastructure is thus a necessary component of raising incomes over time.[116]

Reform Policymakers should close the decades-long "infrastructure investment deficit." There should be a strong public role in financing and overseeing these investments. There are a number of compelling rationales for a strong public role in infrastructure investments. First, infrastructure projects, whether financed publicly or privately, often tend to produce "natural monopolies." For example, once the enormous upfront effort of building a new highway is made, the marginal cost of allowing an extra car on it is trivial. This provides an entry barrier to any profit-seeking economic agent thinking about building a competing highway. Given the resulting monopoly, a strong public role in either the provision or regulation of the sector is necessary to promote economic efficiency. Second, many of the benefits of infrastructure investments are hard to precisely allocate to individual users. For example, the construction of a dam provides benefits to farmers, to homeowners who are protected from floods, to fishermen who can use the reservoirs, and to others. This makes charging precise fees based on the use of infrastructure difficult, and it argues that the public benefits of infrastructure should simply be paid for with public funds. Finally, some infrastructure investments provides services that society has decided should be available to all as basic rights (safe drinking water, for example) even if some customers are not profitable to serve for a strictly private entity. Given these considerations, new infrastructure investments should be publicly financed and subject to democratic accountability. Plans that give tax breaks or subsidies to private actors to induce them to build new infrastructure should be rejected.[117]

2 Public investments should speed the adoption of new low-carbon technologies and practices

Problem Until the price of greenhouse gas (GHG) emissions reflects their true economic costs, profit-seeking actors will not make the necessary investments to reduce these emissions. For example, the profitability of weatherizing homes or office buildings depends on energy costs. If energy costs are artificially cheap because GHGs aren't priced appropriately, then people will choose not to weatherize homes and other buildings. Further, even the most aggressive policy response to climate change in coming years will not stop warming in its tracks: we likely face years of rising sea levels and increasingly intense weather even if future policy is optimal.

Reform Make public investments in energy efficiency and in adapting our utility infrastructure to climate change. Energy efficiency investments could include weatherizing public buildings and providing incentives for homeowners to weatherize their houses. These investments could also include public commitments to secure electricity from sources that do not emit GHGs. Investments to make public transportation more widely accessible, affordable, and efficient could also limit emissions from an overly car-centric United States. Finally, investments in seawalls, more resilient and "hardened" public utilities (utility grids that can better resist and adapt to extreme weather events), and disaster management would help society absorb the physical effects of climate change with less economic damage.[118] (EPI's broader "Climate Policy" agenda is available here.)

3 Our educational system is a critical part of the nation's capital stock and should be funded accordingly

Problem Lack of adequate investment in our educational system is a primary driver of economic inequality and a major source of untapped potential and productivity in our economy. Education spending and safety net spending on children (including child care subsidies, universal high-quality prekindergarten programs, and paid family leave) are valuable investments in the nation's stock of human capital. Yet too often public investments in education have been starved in the name of fiscal austerity despite the enormous—though often radically underestimated—returns on these investments.[119]

Reform Make world-class public investments in our educational system so that all families have access to high-quality, affordable early child care and education, all students have equitable access to excellent K–12 education, and all those pursuing postsecondary education can access affordable, high-quality college. These investments would thus need to address the phases of the education lifecycle. First, we need to make an ambitious national investment in early childhood care and education, including high-quality, comprehensive child care for the youngest children and universal prekindergarten for 3- and 4-year olds. Second, we need to build funding, curricula, and support systems that address the poverty-related disadvantages that impede teaching and learning in K–12 education. Third, we need to deploy a mix of greater public investments and regulations to make college genuinely affordable without debt for all young adults who wish to attend and build a more solid high-school-to-college pipeline for groups that are underrepresented in college enrollment. For more details on these investments, see the "Education and Child Care" section of EPI's policy agenda.

Education and Child Care

Make world-class public investments in our educational system

Lack of adequate investment in our educational system is a primary driver of economic inequality and a major source of untapped potential and productivity in our economy. Education spending and safety net spending on children (including child care subsidies, universal high-quality prekindergarten programs, and paid family leave) are valuable investments in the nation's stock of human capital. Yet too often public investments in education have been starved in the name of fiscal austerity despite the enormous—though often radically underestimated—returns on these investments.

1 Families should have access to high-quality, affordable early child care and education

Problem Children's experiences in the first five years of life establish the foundation for ongoing learning and development.[120] Because the U.S. early child care and education system is insufficient and inadequate, children from families without significant economic resources enter kindergarten unready to learn. Given the critical importance of high-quality early care and education for all children, many peer nations provide universal affordable child care through subsidies, universal high-quality prekindergarten programs, and paid family leave. In contrast, the American system for the provision of early care and education is deeply fragmented and severely under-resourced, and the cost of early care and education is borne primarily by parents and by the early childhood workforce in the form of their low wages, all of which leads to vastly uneven quality of, and access to, services. The American system leaves the talents of too many children untapped, and society loses out. Further, the combination of economic inequality and disparate access to high-quality early care and education is at the root of achievement gaps between children of different income classes, races, and ethnicities in the United States.[121] The payoff to investment in high-quality early care and education for children—even in narrow fiscal terms—is enormous. When society-wide benefits are factored in, it is unfathomable that we would not make this investment.[122]

Reform Make an ambitious national investment in early childhood care and education, including high-quality, comprehensive child care for the youngest children and universal prekindergarten for 3- and 4-year olds. Implement policies to cap early care and education expenses at a manageable share of family income; provide paid family leave to all persons with parenting responsibilities for a sufficient duration of time, with adequate and progressive wage replacement; and create improved standards and pay for the early care and education workforce.[123]

2 All students should have equitable access to excellent K–12 education

Problem Despite evidence of improved student performance overall in recent decades, deep racial, ethnic, and income-based achievement inequities persist.[124] Educational performance is profoundly affected by the broader economic context in which children and schools are situated, with social class, not cognitive abilities or effort, being the most significant predictor of educational success.[125] For example, a child who comes to school hungry, has moved a lot because of unstable housing, or whose parents work nonstandard schedules, or who has an incarcerated parent, is not as equipped to learn as her peers who don't face these stresses.[126] In the U.S., *more than half* of the children in public schools are eligible for subsidized meal programs.[127] Significant funding deficiencies and inequities in funding also exist, leaving some schools under-resourced and of poor quality. Further, teachers are often underpaid and work in difficult conditions.[128] Finally, low student academic performance is often erroneously blamed on lack of school choice, lack of competition, and poor accountability, with the result being that current education policy is focused on vouchers, charter schools, and excessive testing—none of which will address the real challenges of our K–12 educational system.[129]

Reform Build funding, curricula, and support systems that address the poverty-related disadvantages that impede teaching and learning. Promote funding formulas that are adequate and equitable.[130] Develop curricula that nurture the "whole child" with attention to the social and emotional skills that affect academic achievement; promote after-school, summer-learning, and other supports; build valid accountability systems that focus on gaps in supports rather than on outcomes; and engage federal, state, and local stakeholders in the educational process. Facilitate the development and sustainability of a high-quality teaching workforce. Promote strategies (such as those found throughout EPI's policy agenda) that counter broader social forces that harm educational performance, including poverty, inequality, and segregation.[131]

3 Affordable, high-quality college should be available to all pursuing postsecondary education

Problem Too many students don't attend or complete college because they can't navigate the barriers to enrollment and manage the financial burden of college once they have enrolled. Among those who do complete college, many emerge with substantial debt, limiting their career and life choices for years and even decades. The cost of college has risen faster than almost any other price in the economy. Further, the odds of an individual being able to go to college are deeply dependent on their family's social class, resulting in a higher education system that often perpetuates inequality rather than fostering social mobility.[132] So far, the public policy solution to the high cost of a college education has been to make it easier for students to take on debt and to deregulate college education, allowing for-profit schools that offer subpar degrees to increase their market share.[133] Student loans are now second only to mortgages as the largest source of consumer debt.[134] And the odds of dropping out before graduation—and being stuck with student loan debt without the financial advantages of a degree—are significant for many, especially for low-income, first-generation, and minority students.[135]

Reform Use a mix of greater public investments and regulations to make college genuinely affordable without debt for all young adults who wish to attend. Build a more solid high-school-to-college pipeline for groups that are underrepresented in college enrollment, providing these students with the services and resources they need to help them finish high school, enroll in college, and complete a college degree.

Safeguards Against Corporate Abuse of Power

Ensure that regulatory safeguards protect typical households from corporate predation or recklessness

Hostility to regulatory safeguards that protect typical American households has become a defining feature of conservative economic policy in recent decades. The effort to roll back regulatory protections has been vigorously pursued by executive, legislative, and even judicial action, with opposition to government's ability to regulate constituting a crucial litmus test for Supreme Court nominees.[136] From the perspective of capital owners and managers of corporations, this hostility makes bottom-line sense: regulations are often an obstacle to the easiest path to profits. But these regulations exist to protect typical households from corporate predation and recklessness, whether it's in the form of scams perpetrated by financial firms, pollution emitted by utilities and energy companies, or tax evasion (which subtracts from the resources available for public services, education, and infrastructure). Simply put, effective regulation is a key way the democratic process has historically helped to rebalance power in the U.S. economy.

1 Financial reforms must be defended and expanded to protect against future financial crises

Problem The Dodd-Frank reforms[137] passed in the wake of the financial crisis of 2008–2009 are already under attack—just as financial markets have begun showing signs of excess again.[138] Recent history has shown that banks and other financial institutions cannot self-regulate—they take on too much risky debt during boom times, which then leads to crises when the economy slows down.[139] Key ingredients in the financial crisis of 2008 included financial firms relying too heavily on debt (instead of their own equity) to finance their operations and holding too many assets that proved to be illiquid when the crisis came.

Reform Strengthen and enforce regulations that stop financial sector firms from creating too much debt and foisting it on households (e.g., by convincing households to extract equity from their homes and take on debt by misleading about the terms of mortgages and refinancing). Financial sector reforms should enforce minimum capital requirements that force financial firms to increase equity and reduce debt as a source for funding loans. Holding more equity will allow banks a larger cushion to absorb unexpected shocks to the value of their assets and remain solvent during asset market downturns. These capital requirements should be higher for firms holding riskier assets that are more likely to see large price swings or prove to be illiquid during downturns. Further, the Consumer Financial Protection Bureau should vigorously monitor mortgage markets and ensure that the dishonest practices that helped entrap homeowners in debt they couldn't pay do not re-emerge.

2 Asset market bubbles should be addressed and deflated before they grow dangerously large

Problem The last two recessions were caused by asset market bubbles—the stock market and the housing market—that burst. Unless policymakers proactively intervene to stop large asset market bubbles from forming in the future, history will repeat itself. Before the Great Recession, the dominant view among central bankers and regulators was that the public sector should not intervene proactively to prevent bubbles. Instead, they believed, public intervention should only come after the bubbles burst, when regulators and central banks move to "clean up the mess" post-crash. This view that the public sector should be complacent in the face of destructive asset market bubbles should be decisively abandoned: Financial markets do not self-regulate, and bursting bubbles can inflict enormous collateral damage on ordinary households.

Reform Encourage the Federal Reserve and other regulators to lean against large asset market bubbles by taking action to restrain asset price growth when it has become clearly delinked from any plausible fundamental cause. For example, the Federal Reserve and regulators should notice and take preemptive action when stock prices are far higher relative to underlying profitability than historic norms, or when the ratio of home prices to rents in a given city reaches extremely high levels in historic comparisons. When large asset markets are obvious bubbles that have become delinked from fundamentals, policymakers can first simply *communicate* to investors (through public speeches and research reports) the fact that asset prices are out of line with fundamentals. This communication can include warnings that policy actions will be undertaken to restrain asset price growth if the market fails to heed the warnings. Further policy actions can target asset prices by tightening standards about the level of debt that can be used to finance purchases. For example, the Federal Reserve can decrease the maximum share of stock purchases that can be made with debt (increasing "margin requirements"—the share of stock purchases made with cash on hand). Similarly, the Federal Reserve and the Federal Housing Authority (FHA) can work to push banks to require higher down payments from borrowers looking to purchase homes.

3 Companies should not be emitting greenhouse gases unchecked

Problem A globally coordinated increase in the price of greenhouse gas (GHG) emissions is the optimal approach to halting global warming. But the slow progress toward a global consensus on the proper price of GHG emissions does not mean that current emitters of GHGs should enjoy the benefits of "business as usual." Unfortunately, that is what is happening under proposed rollbacks to regulations aimed at curbing GHG emissions.[140] Unchecked domestic emissions will mean we'll need steeper emissions reductions in the future to combat global warming.

Reform Retain and strengthen regulations issued by the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) during the Obama administration. The EPA's Mercury and Air Toxics Rule (MATS) and Clean Power Plan (CPP) mandated limits in harmful emissions of GHGs and other pollutants that could result from electricity production. The EPA and NHTSA jointly enacted increases in automobile efficiency standards. These regulations on electricity generation and mandated increases in automobile efficiency standards moved the United States much closer to meeting international commitments it had made to reducing overall emissions in coming years.[141] If these regulations are weakened, the U.S. will miss these targets by a large margin. (See also the "Climate Policy" section of EPI's policy agenda.)

4 Retirement savers should be protected from unscrupulous retirement advisers

Problem Unlike other professionals such as doctors and lawyers, not all retirement advisers are bound by law to act in the best interest of their clients. They can instead do things like steer clients toward investments that pay the adviser a commission but provide the client a lower rate of return. This kind of "conflicted" advice causes substantial losses—an estimated $17 billion a year—for the clients who are victimized.[142]

Reform Resuscitate rules to keep financial advisers from cheating their clients for their own gain—rules that were rolled back by the Trump administration. Under the Obama administration, the Labor Department passed a regulation (the "fiduciary rule") that required retirement advisers to act in the best interest of their clients. This rule has been under sustained attack from the beginning of the Trump administration. First the rule was delayed, and then the administration sought to change the rule and make the Securities and Exchange Commission (SEC), rather than the Labor Department, the regulating body. This move to regulation by the SEC—an agency that has been too often in the past captured by the financial industry it is supposed to regulate—ensures that the rule will provide weaker protections.[143]

5 Collecting taxes owed by the richest households and corporations needs to become a national priority

Problem In recent decades, sustained political attacks from congressional Republicans have been clearly designed to blunt incentives for the IRS to collect taxes from the richest households and corporations. These attacks have come in the form of steep budget cuts to IRS enforcement, hearings meant to foster the false impression that efforts to close the tax gap (the gap between taxes owed and actually collected) constituted IRS abuse of typical American families, and efforts to overwhelm the IRS enforcement capacity with trivial political matters.[144] This has led to a large and growing tax gap that measures in the hundreds of billions of dollars.[145] Essentially, the richest Americans and corporations have been allowed to construct a "do it yourself" tax cut simply by convincing Congress to starve IRS enforcement. The result has been a windfall of taxes not paid by these rich households and corporations.

Reform Give the IRS the resources and the mandate to stop the pervasive and growing tax evasion undertaken by the wealthy, and especially by corporations. Appropriations to the IRS should be substantially increased and the next president should assert the IRS's right (and obligation) to enforce tax law and stop tax evasion.

6 Antitrust rules must be robustly enforced and consider labor market concentration as well as product market concentration

Problem A growing body of research shows that wages of typical American workers suffer when there is insufficient competition in both product and labor markets.[146] Monopoly and monopsony power has too often translated into disproportionate corporate power in both markets and politics.[147] Yet far too often in recent decades antitrust tools have been left unused.[148]

Reform Ensure that, when examining concentration in particular industries, antitrust regulators consider the implications for power in product markets, in labor markets, and in the political process. If proposed mergers threaten to unduly concentrate power along any of these dimensions, regulators should block them.[149] Even before new mergers are announced, regulators should examine specific geographic labor markets to see if they're already plagued by undue market concentration. If they are, further mergers within industries should be disallowed in those markets.

Climate Policy

Address global climate change through economic policy

Global climate change is a potentially catastrophic problem. Unchecked climate change will disrupt people’s access to the basic elements of life, like food, water, shelter, and health. As average global temperatures rise, patterns of agricultural production will radically shift, leaving tens of millions of people who rely on subsistence farming without guaranteed access to sufficient food. Climate-change-induced droughts have already begun around the world and, in coming decades, could cause large-scale loss of life and/or mass migration. More intense and frequent storms resulting from climate change will consistently damage homes and other structures, especially in coastal communities. Finally, even small increases in global temperatures can cause large increases in the transmission of deadly diseases.[150]

Because greenhouse gas (GHG) emissions are nearly always the result of economic activities, economic *policy* will play a key role in any effort to mitigate climate change. The size and imminence of the danger from climate change calls for using *all* potential levers of economic policy to reorient economic activity away from GHG emissions. Climate change is a global problem; therefore, the optimal solution will involve global coordination. But we cannot let the pursuit of this optimal global solution become an excuse for national inaction in the meantime.

1 The price of emitting greenhouse gases should be high enough to substantially reduce greenhouse gas–emitting activities

Problem GHG emissions are a textbook example of economic *externalities*, or costs resulting from economic activity that are not fully borne by those undertaking the action. If an electrical utility in Ohio burns coal and emits GHGs in the process of supplying electricity to consumers in Cleveland, residents of Washington, D.C. (or Africa or Asia, for that matter) are not part of this transaction, yet the accumulation of GHGs in the atmosphere will raise global temperatures and impose costs on them. Because the cost of emitting GHGs is not fully faced by those producing or consuming the goods or services associated with the emissions, there is a clear incentive to overproduce GHG-intensive output.

Reform Impose a price on emissions of GHGs that approximates the costs these emissions impose on society at large. A price that reflects the true cost of emissions would provide a clear incentive to reduce GHG emissions enough to meaningfully slow global warming. (Note that this price is significantly higher than what is often referenced in current policy debates.[151]) There are a number of policy tools we could use to do this in the United States as we work toward a global price on GHG emissions. A carbon tax could be imposed on every ton of GHGs emitted. Alternatively, an overall cap on GHG emissions could be imposed and permits issued that give the permit-holders a right to emit some amount of GHGs. The total number of permits in this system would equal the overall cap, and the permits would be tradeable (i.e., firms could buy and sell permits among themselves). The initial distribution of these permits should be allocated based on an auction run by governments. Either tool—a carbon tax or a permit trade system—would raise the cost enough to disincentivize excess emissions. In the short run, this would lead to a rising cost of GHG-intensive goods and services. Electricity prices, for example, would rise. A significant portion of the revenue raised from a tax on GHG emissions (or from auctioning off permits) should be recycled back to households progressively (for example, through tax credits or rebates for low- and moderate-income households), to ensure that higher energy costs don't decrease their real income.[152] The remainder of the revenue could be earmarked for public investments to slow and/or mitigate the effects of global climate change (see the "Public Investments" section of EPI's policy agenda). Eventually, the cost of emitting GHGs anywhere in the world should face an identical price, a goal that requires international coordination of policies to put a price on emissions.

2 Domestic regulations should be used as a stop-gap measure to reduce GHG emissions while a global price is pending

Problem A globally coordinated increase in the price of GHG emissions is the optimal approach to halting global warming. But the slow progress toward a global consensus on the proper price of GHG emissions does not mean that current emitters of GHGs should enjoy the benefits of “business as usual.” Unfortunately, that is what is happening under proposed rollbacks to regulations aimed at curbing GHG emissions.[153] Unchecked domestic emissions will mean we’ll need steeper emissions reductions in the future to combat global warming.

Reform Retain and strengthen regulations issued by the Environmental Protection Agency (EPA) and the National Highway Traffic Safety Administration (NHTSA) during the Obama administration. The EPA’s Mercury and Air Toxics Rule (MATS) and Clean Power Plan (CPP) mandated limits in harmful emissions of GHGs and other pollutants that could result from electricity production. The EPA and NHTSA jointly enacted increases in automobile efficiency standards. These regulations on electricity generation and mandated increases in automobile efficiency standards moved the United States much closer to meeting international commitments it had made to reducing overall emissions in coming years.[154] If these regulations are weakened, the U.S. will miss these targets by a large margin.

3 Trade policy should ensure that production does not migrate away from countries that have done the the right thing by appropriately pricing GHGs

Problem Appropriately pricing GHG emissions means raising the cost of GHG-intensive goods and services. This means that until there is a global price on GHG emissions, goods and services produced in countries that have raised the cost of GHGs will be less competitive in global markets. Manufacturers are particularly vulnerable because much manufacturing production uses high-GHG-emitting sources of energy (electricity, mostly). If the U.S. uses domestic regulation to lower emissions and this action raises the cost of electricity in the short run, U.S.-based manufacturing would suffer in global competition. Even worse, the climate change benefits of the domestic regulation would simply “leak” away as GHG-intensive production is not *reduced*, but simply shifted offshore to countries that have not raised the cost of emissions

Reform At the same time we impose a higher domestic price on GHG emissions, impose a border-adjustment tariff on goods entering the United States from countries that have not yet raised the price of GHG emissions. This tariff will help level the playing field by raising the cost of goods produced in those countries to levels equivalent with the cost of U.S. goods. The size of the tariff will be a function of the source country’s GHG price policy and the energy intensity needed to produce the good. So if a highly electricity-intensive good, such as aluminum, is shipped to the U.S. from a country that still allows electricity producers to avoid paying the true price of GHG emissions, a tariff will be imposed that erases any cost advantage gained from the unpriced use of GHG-intensive production. Note that this logic also applies to countries that move more aggressively than the U.S. to raise the cost of emitting GHGs—they should be free to put GHG-related tariffs on U.S. exports. Once a global compact on pricing GHG emissions is reached, these tariffs will no longer be necessary.

4 Public investments should speed the adoption of new low-carbon technologies and practices

Problem Until the price of greenhouse gas (GHG) emissions reflects their true economic costs, profit-seeking actors will not make the necessary investments to reduce these emissions. For example, the profitability of weatherizing homes or office buildings depends on energy costs. If energy costs are artificially cheap because GHGs aren't priced appropriately, then people will choose not to weatherize homes and other buildings. Further, even the most aggressive policy response to climate change in coming years will not stop warming in its tracks: we likely face years of rising sea levels and increasingly intense weather even if future policy is optimal.

Reform Make public investments in energy efficiency and in adapting our utility infrastructure to climate change. Energy efficiency investments could include weatherizing public buildings and providing incentives for homeowners to weatherize their houses. These investments could also include public commitments to secure electricity from sources that do not emit GHGs. Investments to make public transportation more widely accessible, affordable, and efficient could also limit emissions from an overly car-centric United States. Finally, investments in seawalls, more resilient and "hardened" public utilities (utility grids that can better resist and adapt to extreme weather events), and disaster management would help society absorb the physical effects of climate change with less economic damage.[155] (EPI's broader "Public Investments" agenda is available here.)

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Tracker (interactive map; last updated November 2018).

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