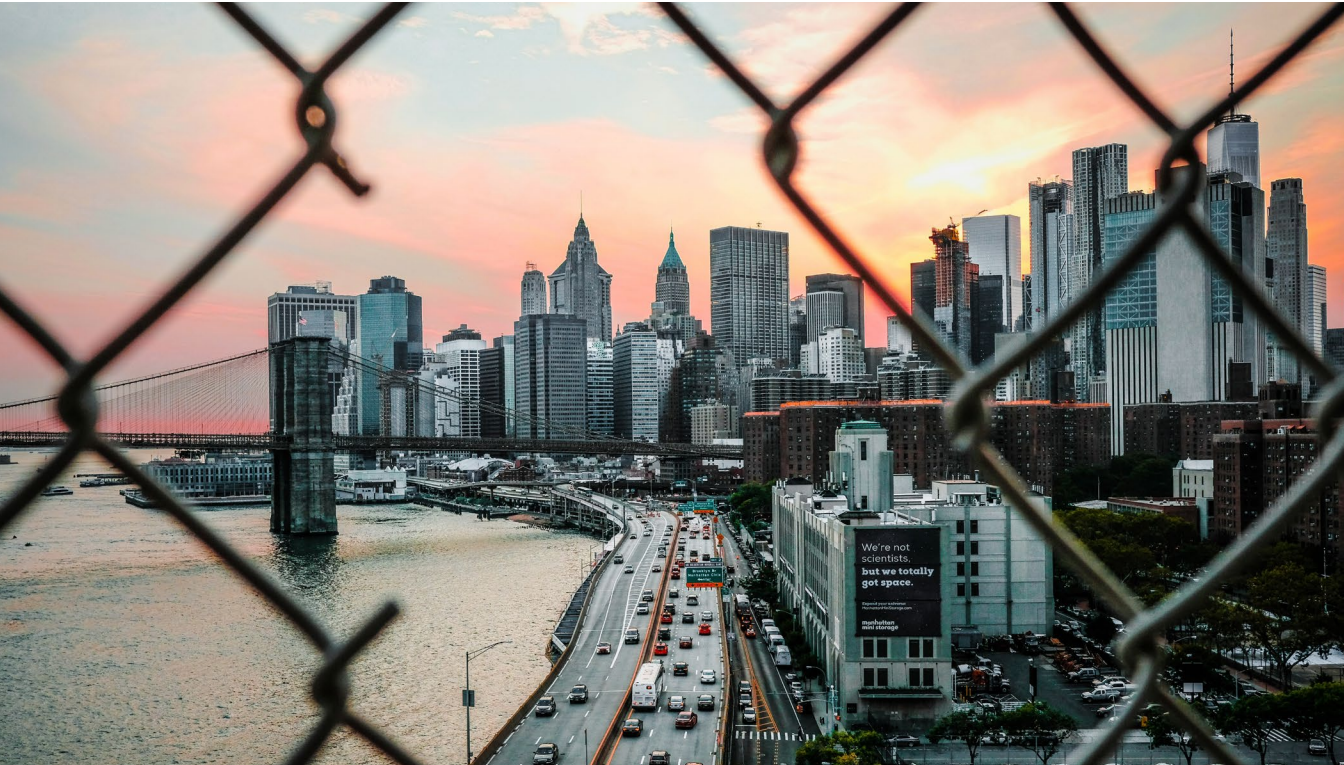


WHAT'S NEXT

POLICY RECOMMENDATIONS FROM THE BUSH INSTITUTE

JANUARY 2021 · BUSHCENTER.ORG



**EXPANDING
OPPORTUNITY**



*FEDERAL POLICY AGENDA
FOR ECONOMIC MOBILITY*



THE GEORGE W. BUSH INSTITUTE - SMU ECONOMIC GROWTH INITIATIVE
AT
THE GEORGE W. BUSH INSTITUTE

ABOUT THE GEORGE W. BUSH INSTITUTE:

Housed within the George W. Bush Presidential Center, the George W. Bush Institute is an action-oriented, nonpartisan, policy organization with the mission of developing leaders, advancing policy, and taking action to solve today's most pressing challenges. Through three Impact Centers — Domestic Excellence, Global Leadership, and an Engagement Agenda — the Bush Institute delivers measurable results that save and improve lives.

To learn more, visit www.BushCenter.org.

GEORGE W. BUSH INSTITUTE – SMU ECONOMIC GROWTH INITIATIVE:

The Bush Institute – SMU Economic Growth Initiative combines the public policy expertise of the George W. Bush Institute and the academic expertise of SMU. The joint initiative draws from economic policy-making experience at the highest levels and from cutting edge academic research to identify ideas for promoting innovation, entrepreneurship, and faster, more inclusive growth through global competitiveness and sound immigration policy.

EXPANDING OPPORTUNITY: FEDERAL POLICY AGENDA FOR ECONOMIC MOBILITY

Cullum Clark

Director of the George W. Bush Institute – SMU Economic Growth Initiative

Growing challenges to the American dream demand new federal policies to expand economic mobility for as many Americans as possible. Economic growth has left too many people with lower education levels – and disproportionate numbers of Black, Hispanic, and Native Americans – behind. The COVID-19 crisis has laid bare these disparities. A new opportunity agenda should rely on America's historic strengths and values: vibrant private markets, compassionate but limited government, and earned upward mobility.

Federal policy to promote economic mobility should focus on the following:

Our recommendations:

- RAISE SUPPORT FOR INNOVATIVE RESEARCH AT UNIVERSITIES AND OTHER KNOWLEDGE-GENERATING INSTITUTIONS
- INVEST IN 21ST CENTURY INFRASTRUCTURE, EMPHASIZING LOCAL PRIORITIES
- PRIORITIZE LABOR MARKET FLEXIBILITY AND LIVING-WAGE WORK
- PROMOTE COMPETITIVE MARKETS AND SMALL BUSINESS DEVELOPMENT
- EXPAND AND MODERNIZE PLACE-BASED TAX AND REGULATORY PROGRAMS
- PROMOTE GREATER HOUSING SUPPLY AND AFFORDABILITY
- SUPPORT HOMEOWNERSHIP AND OTHER AVENUES OF WEALTH ACCUMULATION
- MAINTAIN A TAX CODE THAT IS AS GROWTH- AND OPPORTUNITY-ORIENTED AS POSSIBLE

Improving economic mobility should be a top-tier priority, for three reasons: (1) Economic mobility is a key measure of how the nation is doing in increasing well-being; (2) Helping as many Americans as possible fulfill their potential is crucial to prosperity for everyone;

and (3) Americans won't view our economic system as fair unless they believe hard-working, enterprising people have a good shot at getting ahead.

Median household income has grown more than 50% over the past four decades after inflation, taxes, and government transfers, and America has experienced strong levels of economic mobility for people with a college degree. But pretax incomes after inflation have remained stagnant for Americans with only a high school diploma or less, as the Bush Institute – SMU Economic Growth Initiative documents in a [recent report](#). Median household wealth is lower than in 1969, and families in the bottom 40% by income collectively have negative net wealth, with debt exceeding financial assets. Racial income disparities remain as large as they were in the 1970s.

The most significant challenges to economic mobility today include slow growth rates of skill levels and productivity, falling rates of business creation, weaker competition in many industries, and deeply uneven economic geography, with many struggling, low-opportunity regions, cities, and neighborhoods. They also include an affordability crisis in housing and education that is undermining savings, investment in human capital, homeownership, and other forms of wealth accumulation for disadvantaged Americans.

An opportunity agenda should start from an understanding that federal, state, and local governments – plus businesses and nonprofits – have vital roles, and each should play to its strengths. The federal government should apply its vast fiscal capacity and its tax and regulatory powers to promoting economic mobility, while empowering local policymakers and private-sector leaders to play their own roles more effectively.

RAISE SUPPORT FOR INNOVATIVE RESEARCH AT UNIVERSITIES AND OTHER KNOWLEDGE-GENERATING INSTITUTIONS

America's leading universities and medical centers play central roles in driving innovation and growth in the economy and solving pressing challenges, as they've shown in their powerful response to the COVID-19 crisis. They are also key drivers of opportunity in their communities because of their growing roles in local employment, procurement, business creation, and land use. Congress should step up support for basic research, as the Bush Institute – SMU Economic Growth Initiative argues in a [report](#) on the impact of knowledge-generating institutions. Federal policymakers should also consider policies that would incentivize institutions to become more active leaders in economic mobility and equitable community development and support efforts to incorporate pandemic lessons on remote learning and telemedicine.

INVEST IN 21ST CENTURY INFRASTRUCTURE, EMPHASIZING LOCAL PRIORITIES

As America shifts toward more geographically decentralized and digitally connected models of working and living, modernizing the nation's infrastructure will play a key role in expanding job market access and other essential elements of economic mobility. Congress should consider a substantial infrastructure initiative, prioritizing

both maintenance of existing physical assets and expansion of digital connectivity. Infrastructure programs should align systematically with local priorities, including initiatives to improve quality of life, promote homegrown businesses, reimagine urban spaces, foster greater affordability, and further racial equity.

PRIORITIZE LABOR MARKET FLEXIBILITY AND LIVING-WAGE WORK

Labor market flexibility has long been a vital strength of America's economy. The federal government should focus on improving financial stability for part-time and gig workers rather than imposing heavy-handed regulation on flexible labor arrangements. If Congress considers raising the federal minimum wage, it should ensure that any changes are adapted to local living costs and designed to limit negative employment effects for young, lower-skilled workers.

PROMOTE COMPETITIVE MARKETS AND SMALL BUSINESS DEVELOPMENT

Competitive markets play an essential role in fueling growth and opportunity. But competition has waned in many industries due to growing concentration of firms, government restrictions blocking new market entrants, and low business startup rates. The Biden Administration should reinvigorate antitrust enforcement to promote competitive product and labor markets, while sticking to established "consumer welfare" standards in antitrust enforcement. Federal policymakers should press states and localities to make it easier, faster, and cheaper to start a business, including reducing occupational licensing rules and making licenses transferrable across state lines. Small-business lending programs should prioritize firms with inadequate access to private capital markets, especially minority-owned companies. Congress should extend the Paycheck Protection Program but amend it to require greater transparency and target loans toward companies that are creditworthy but seriously threatened due to the COVID-19 crisis.

EXPAND AND MODERNIZE PLACE-BASED TAX AND REGULATORY PROGRAMS

Place-based policies can play a useful role in promoting economic mobility for people in disadvantaged neighborhoods, but existing programs would benefit from greater flexibility and transparency. Congress should renew the "opportunity zones" program for economically distressed communities, but should expand it to cover all qualified census tracts and all qualified investments, rather than only those funded from capital gains realizations. It should require transparency around qualifying investments and empower local governments to establish community benefit conditions for opportunity zones investments to qualify for special tax treatment. Congress should modernize the Community Reinvestment Act, which focuses on expanding access to credit in disadvantaged communities, and allow more common-sense flexibility for financial institutions to earn credits under the program – for instance, by covering mixed-income

housing in high-opportunity neighborhoods or wraparound services associated with affordable housing developments.

PROMOTE GREATER HOUSING SUPPLY AND AFFORDABILITY

Many studies show that cities with lighter-touch land-use rules experience greater housing supply growth, better affordability, lower housing segregation on income lines, and less displacement of lower-income residents than more restrictive places. Congress should offer incentives, perhaps as part of an infrastructure initiative, to localities meeting best-practice guidelines for promoting both market-rate and affordable housing growth. Congress should consider increasing funding for rental vouchers and low-income housing tax credits, while allowing local authorities greater flexibility in the administration of both programs.

SUPPORT HOMEOWNERSHIP AND OTHER AVENUES OF WEALTH ACCUMULATION

Promoting wealth accumulation should be a central element of policies to advance opportunity, since even small family wealth holdings make a large difference in whether people attend college, start businesses, and pursue other routes to upward mobility. As homeownership is the principal path to wealth accumulation for most families, Congress should consider creating a first-time home purchase tax credit for moderate- to lower-income Americans and exercise its authority over housing finance to promote novel homeownership tools like community land trusts and shared appreciation mortgages. It should consider new wealth accumulation vehicles aimed at helping people make opportunity-enhancing investments like paying for education or starting a business.

MAINTAIN A TAX CODE THAT IS AS GROWTH- AND OPPORTUNITY-ORIENTED AS POSSIBLE

Taxes are most consistent with strong economic growth when they consist of a broad tax base, low rates, and minimum complexity. To the extent that Congress aims to provide specific incentives in the federal tax code, policymakers should prioritize expanding opportunity for as many Americans as possible. Congress should retain the full charitable deduction to promote giving to vital nonprofits but avoid expanding deductions that are counterproductive in advancing opportunity, like the state and local tax deduction and the mortgage interest deduction, which raises home prices. It should maintain favorable treatment for long-term capital gains and business investments. It should consider expanding tax programs like the earned income tax credit to make work pay better.

By reordering its fiscal and regulatory policies around an opportunity agenda and allowing greater flexibility for private markets and local policy initiatives, the federal government can play a crucial role in creating greater opportunity and economic mobility for all Americans.



BUSHCENTER.ORG

2943 SMU BOULEVARD | DALLAS, TEXAS 75205