

January 29, 2009

**TO:** Interested Parties  
**FROM:** Anne Kim, Director, Economic Program and Jim Kessler, VP for Policy  
**RE:** A Middle-Class Policy Agenda: Restoring Middle Class Success

This memo lays out a roster of potential policy topics for exploration by policymakers seeking to flesh out a policy and legislative agenda aimed at the American middle class.

We also lay out below a potential framework for use in considering these topics.

## The Framework—Restoring Middle Class Success

An effective agenda for the middle class requires a simple and compelling organizing principle to serve as both a theme for communications and as a goal for policy. We believe that central principle should be **restoring middle class success**.

This principle meets each of three significant challenges policymakers face in designing a middle-class agenda:

**1. A battered middle class.** Middle-class Americans are dealing with severe shocks to their confidence, their wealth and their optimism. Their homes have plummeted in value, their retirement savings have been decimated, and many families may be deferring their dreams of sending a child to college or starting a new business. Americans are looking for policies that will restore what they have lost in this crisis.

**2. New rules for middle class success.** Even before the current downturn, the American economy was in the midst of deep and sweeping change. Achieving middle-class success today is tougher and more complicated than it was a generation ago.<sup>1</sup> Workers are expected to change jobs and careers to chase opportunities. They are responsible for managing their investments prudently and pursuing advanced education. Households need to send two workers into the workforce.

Government policies, however, have failed to keep up with these realities and often even pose obstacles to middle-class success. Retirement and health benefits are not sufficiently portable, and workers lack affordable health care coverage between jobs. Businesses and government policies are still too hostile to two-career households. College is becoming increasingly unaffordable. Middle-class families are looking for help in navigating and succeeding in this new world.

**3. Deep skepticism of government.** But despite this need and desire for help, Americans are also deeply skeptical of government's effectiveness. Lack of public trust has always been a significant feature of the American character,<sup>2</sup> but this trust

has eroded to new lows in the past decade. A July 2008 poll commissioned by Third Way found that fully 58% of Americans trust the government “not too much” or “not at all” when it comes to doing the right thing for the middle class, and 56% believe government is “pretty much irrelevant to whether you succeed or not.” Just 11% think government “mostly helps you succeed,” and 26% believe government “mostly hinders you from succeeding.”<sup>3</sup> While the election of President Obama has had tremendous impact in restoring public trust in government, this enthusiasm could be short-lived if not capitalized upon prudently. The middle-class is looking for new policies that would justify their longer-term trust in progressive policy.

A policy agenda focused on restoring middle-class success can answer each of these challenges by rebuilding middle-class wealth and confidence, providing new solutions for coping with economic change and restoring public trust in government by offering meaningful ideas that can have direct and relevant impact on the lives of the middle class.

And for progressives who have long been perceived as the champions of economic security—but only of security—the notion of promoting “success” can help break new ground with the aspirational middle class.

## **A Success Agenda for the Middle Class**

An effective middle-class agenda should create new, modern policies and institutions that will provide middle-class Americans with the tools and knowledge they need to pursue their aspirations.

The following agenda suggests topics for exploration where the need for substantive relief and the potential for substantive reform are greatest.

- **Success in college: Affordability and completion.**

The price of college has risen faster than inflation for each of the past 27 years, and paying for college is a top concern among middle-class families. Third Way’s poll found that college affordability beat out almost every other worry, including the loss of a job, the loss of health care coverage and not having enough for retirement.<sup>4</sup> But getting to college is only half the equation—the nation is also experiencing a crisis in college dropout. College graduation rates have been flat for decades, and the drop-out rate—40%—is worse than that of urban high schools.<sup>5</sup> In today’s economy, a high-school diploma is no longer enough to ensure middle-class success. And the goal of K-12 school systems should be to prepare children to succeed in post-secondary education.

*Possible topics for exploration: Tuition subsidies and tax cuts; controlling tuition inflation; college readiness and retention; improving K-12 education.*

- **Success in retirement: Building and managing wealth.**

In the past, the responsibility for managing a person’s retirement rested in the hands of employers, who awarded their workers a pension. Today, people manage their own retirements through IRAs and 401(k) accounts. While these accounts are better suited to a mobile workforce, workers must absorb risks of market volatility

and the consequences of their investment decisions. What was once certain and predictable is now uncertain and risky.

*Possible topics for exploration: Savers' incentives to get young people to start 401Ks early and save for retirement; minimum pension contributions for all jobs so that everyone in every job is saving something for retirement; mechanisms for insuring or guaranteeing retirement contributions (i.e. savings insurance); financial education and consumer investment protections; eliminating barriers to the consolidation of multiple 401(k) accounts.*

- **Success for two-career households: Balancing work and family**

In the mid-1970s, nearly two-thirds of mothers with young children stayed at home. In this decade, nearly two-thirds of the same mothers are in the workforce. And over the last 30 years, new college graduates went from 43% women to 57% women. But much of our employment policies are stuck in the past – in a single breadwinner mentality.

*Possible topics for exploration: Promoting workplace flexibility; making child care and elder care more affordable and of high quality; creating policies to help moms who've taken a break from their careers refresh their skills and re-enter the workforce with minimum penalties to their career and earnings potential.*

- **Success in career mobility: Health care coverage stability and benefit portability.**

For many people, losing health coverage is a temporary but frightening experience that occurs during the inevitable periods when our mobile labor force loses, leaves, or switches a job. Men and women can expect to change employers five, ten, or fifteen times in a career. It shouldn't mean having 7 IRAs and 401Ks. It shouldn't mean switching doctors. And there should be bridge insurance help to keep people covered during temporary between job periods.

*Possible topics for exploration: Improving benefits portability; ensuring affordable health care coverage between jobs; COBRA reform.*

- **Success in climbing the ladder: Mid-career education.**

Getting ahead often means gaining new skills – particularly in a fast-moving, changing economy. And we shouldn't wait for people to lose a job before we encourage them to learn new skills to acquire a new and better job. But most education is aimed at full-time, young students. For adults, continuing education is often inconvenient, time-consuming, and expensive.

*Possible topics for exploration: Increasing student aid for lower and middle income adults who enroll in part-time or full-time classes; broadening access to educational opportunities through technology (e.g. "E-colleges") to help adults gain new skills from their home.*

- **Success in protecting kids from today's coarse culture.**

The typical kid is first exposed to online pornography at the age of 11 and 20% of porn web visits are by minors under the age of 18.<sup>6</sup> Technology has made it much more difficult for parents to know who their kids are meeting and doing. Growing up and parenting has never been more complicated.

*Possible topics for exploration: Strengthening age verification laws to keep kids away from online porn; developing new cyber-bullying strategies to protect children; safeguarding peer-*

to-peer sites like Facebook and MySpace to prevent predators from reaching kids; preventing school violence.

## Conclusion

The agenda outlined above details some possibilities for a proactive agenda aimed at helping individuals attain middle-class success. But restoring middle-class success should be a goal that permeates all policymaking, and the interests of the middle-class should be at the top of the list of a policymaker's considerations in formulating and designing policy. Thus, in considering the impacts of health care reform, a transition to a green economy or entitlements, the impact of these changes on the ability of middle-class Americans to succeed should be a top-tier concern.

The path to transformational change leads to and through the middle class—and for progressives, better serving the needs of the middle class can in itself be transformational.

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<sup>1</sup> Anne Kim, Jim Kessler, Adam Solomon, Bernard Schwartz and Stephen Rose, *The New Rules Economy*, Third Way, February 2007, available at [http://www.thirdway.org/data/product/file/71/Third\\_Way\\_New\\_Rules\\_Economy\\_Report.pdf](http://www.thirdway.org/data/product/file/71/Third_Way_New_Rules_Economy_Report.pdf)

<sup>2</sup> William A. Galston and Elaine C. Kamarck, *Change You Can Believe In Needs a Government You Can Trust*, Third Way, November 2008, available at [http://www.thirdway.org/data/product/file/176/Third\\_Way\\_-\\_Trust\\_in\\_Government\\_Report.pdf](http://www.thirdway.org/data/product/file/176/Third_Way_-_Trust_in_Government_Report.pdf)

<sup>3</sup> Anne Kim and Jim Kessler, "New Third Way Economic Poll – Insights on the Middle Class," Third Way, September 2008, available at [http://www.thirdway.org/data/product/file/173/Third\\_Way\\_-\\_Middle\\_Class\\_Economic\\_Survey.pdf](http://www.thirdway.org/data/product/file/173/Third_Way_-_Middle_Class_Economic_Survey.pdf)

<sup>4</sup> Anne Kim and Jim Kessler, "A College Tuition Tax Cut and the Recovery Package," Third Way, January 23, 2009, available at [http://www.thirdway.org/data/product/file/186/Third\\_Way\\_-\\_College\\_Tax\\_Credit\\_and\\_the\\_Stimulus\\_Package\\_Memo.pdf](http://www.thirdway.org/data/product/file/186/Third_Way_-_College_Tax_Credit_and_the_Stimulus_Package_Memo.pdf)

<sup>5</sup> Haycock, K., written testimony before the Committee on Health, Education, Labor and Pensions, U.S. Senate, April 2005, Education Trust, available at <http://www2.edtrust.org/EdTrust/Press+Room/Haycock+Testimony+4.28.05.htm>; Laura Horn and Rachael Berger, "College Persistence on the Rise? Changes in 5-Year Degree Completion and Postsecondary Persistence Rates Between 1994 and 2000," *Education Statistics Quarterly*, Vol. 6, Issue 4, available at [http://nces.ed.gov/programs/quarterly/vol\\_6/6\\_4/5\\_1.asp](http://nces.ed.gov/programs/quarterly/vol_6/6_4/5_1.asp)

<sup>6</sup> Jerry Rapelato, "Internet Porn Statistics," Internet Filter Review.