Quotidiano Londra
FINANCIAL TIMES
16-NOV-2009
Diffusione: n.d. Lettori: n.d. Direttore: Lionel Barber da pag. 13

The American dream needs repair

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Sooner or later the US will find itself grappling with an immense fiscal problem. The recession and stimulus have combined to produce record-breaking deficits, and economic recovery will not come close to restoring balance. US voters have big questions to answer about the entitlements they demand and the taxes they are willing to pay.

This dismal outlook might not seem the ideal setting for a call to new ambition in US social policy. But that is exactly what Isabel Sawhill and Ron Haskins, scholars at the Brookings Institution, issue in their new book, *Creating an Opportunity Society*.

Unreal as such a summons might seem just now, the authors should be congratulated for refusing to be deflected – and not only because their book is full of excellent analysis and proposals. In two ways, their effort turns out to be well timed after all.

It shows that rigorous fiscal discipline and ambitious social policy can be combined, which many politicians are apt to forget. It also shows that centrism – politically feasible policies, designed to appeal to moderates of left and right – need not be timid. Learning these lessons is the key to breaking the fiscal impasse, and more besides.

Many Americans think they live in a society which, more than most, offers citizens the chance to prosper. The US is not the most equal society in the world, and does not want to be. What matters is that a poor man can raise himself up.

Creating an Opportunity Society begins by showing that, especially for the poorest children, this is something of a myth. By international standards, intergenerational mobility in the US is quite low. This will surprise few who have ventured into a US public housing project or troubled inner-city school, but many middle-class Americans never have. The figures show that US children born in the lowest and highest quintiles of the income distribution are more likely to stay there than in Britain, for example, and much more likely than in countries such as Sweden and Denmark.

But what to do about it? The book confirms a finding well established in the literature, that transition to the middle class is all but guaranteed for poor children if they do three things: finish high school, work full time and marry before having children. The US underperforms as an opportunity society because so many of its young people fail at one or more. The book focuses on these areas.

Education, as the Obama administration recognises, is pivotal. The book calls for gradual increases in spending on early education programmes for the poor, an exceptionally productive investment according to all the research.

The authors also suggest policies to improve schools, such as adopting national standards (a strengthening of the state-based standards of the No Child Left Behind law); new federal incentives (like those being introduced by the Obama administration) to encourage the hiring and retention of good teachers; and support for "paternalistic" schools that stress order, good attendance, basic skills and frequent assessment. Teachers' unions find plenty to object to here.

Incentives to find and stay in work could be improved by extending the earned-income tax credit, say the authors, and through support for vocational training. But work requirements under the 1990s welfare reforms should be maintained or tightened, they say. At this many liberals will bridle, as they will at the claim that the "success sequence" of school, employment, and children after marriage requires firmer pro-family suasion and incentives. "To those who argue that this goal is old-fashioned or inconsistent with modern culture, we argue that modern culture is inconsistent with the needs of children." So there.

The cost of these new and expanded interventions, net of savings from schemes the book wants trimmed, would be about $20bn (€13.4bn, £12bn) a year. This seems modest by current standards, but, as good fiscal conservatives, the authors think the country cannot afford its present commitments, let alone new ones. Here, therefore, they make their boldest suggestion of all. The US social contract needs to be revised, so that the elderly, many of whom are comparatively well off, receive less so that the poor can get more.

That is easy to say but difficult to do. The current alarm over cuts in Medicare, the public health insurance programme for the elderly, underlines the problem. The authors want savings there and in social security outlays as well, another political mantrap.

As the coming fiscal emergency takes shape, something will have to be done. No choices adequate to the scale of the problem will be easy. The great virtue of this book – a comprehensive policy manual and the outline of a new social contract – is not just in recognising that upward mobility in the US is less than it should be, but is in calling for action, and in insisting on fiscal discipline. Its real strength is its distinctively American remedies, with their emphasis on rewarding effort rather than idleness, and insisting on personal responsibility.

This blend of liberal and conservative themes will draw fire from partisans on both sides. But in the middle it could win bipartisan public support, and deserves to. Centrism need not be feeble. It can be bold and muscular. Policies from the radical centre are exactly what the US needs.


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