

Remarks by the President on Economic Mobility

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THE PRESIDENT: Thank you. (Applause.) Thank you, everybody. Thank you so much. Please, please have a seat. Thank you so much. Well, thank you, Neera, for the wonderful introduction and sharing a story that resonated with me. There were a lot of parallels in my life and probably resonated with some of you.

Over the past 10 years, the Center for American Progress has done incredible work to shape the debate over expanding opportunity for all Americans. And I could not be more grateful to CAP not only for giving me a lot of good policy ideas, but also giving me a lot of staff. (Laughter.) My friend, John Podesta, ran my transition; my Chief of Staff, Denis McDonough, did a stint at CAP. So you guys are obviously doing a good job training folks.

I also want to thank all the members of Congress and my administration who are here today for the wonderful work that they do. I want to thank Mayor Gray and everyone here at THEARC for having me. This center, which I've been to quite a bit, have had a chance to see some of the great work that's done here. And all the nonprofits that call THEARC home offer access to everything from education, to health care, to a safe shelter from the streets, which means that you're harnessing the power of community to expand opportunity for folks here in D.C. And your work reflects a tradition that runs through our history -- a belief that we're greater together than we are on our own. And that's what I've come here to talk about today.

Over the last two months, Washington has been dominated by some pretty contentious debates -- I think that's fair to say. And between a reckless shutdown by congressional Republicans in an effort to repeal the Affordable Care Act, and admittedly poor execution on my administration's part in implementing the latest stage of the new law, nobody has acquitted themselves very well these past few months. So it's not surprising that the American people's frustrations with Washington are at an all-time high.

But we know that people's frustrations run deeper than these most recent political battles. Their frustration is rooted in their own daily battles -- to make ends meet, to pay for college, buy a home, save for retirement. It's rooted in the nagging sense that no matter how hard they work, the deck is stacked against them. And it's rooted in the fear that their kids won't be better off than they were. They may not follow the constant back-and-forth in Washington or all the policy details, but they experience in a very personal way the relentless, decades-long trend that I want to spend some time talking about today. And that is a dangerous and growing inequality and lack of upward mobility that has jeopardized middle-class America's basic bargain -- that if you work hard, you have a chance to get ahead.

I believe this is the defining challenge of our time: Making sure our economy works for every working American. It's why I ran for President. It was at the center of last year's campaign. It drives everything I do in this office. And I know I've raised this issue before, and some will ask why I raise the issue again right now. I do it because the outcomes of the debates we're having right now -- whether it's health care, or the budget, or reforming our housing and financial systems -- all these things will have real, practical implications for every American. And I am convinced that the decisions we make on these issues over the next few years will determine whether or not our children will grow up in an America where opportunity is real.

Now, the premise that we're all created equal is the opening line in the American story. And while we don't promise equal outcomes, we have strived to deliver equal opportunity -- the idea that success doesn't depend on being born into wealth or privilege, it depends on effort and

merit. And with every chapter we've added to that story, we've worked hard to put those words into practice.

It was Abraham Lincoln, a self-described "poor man's son," who started a system of land grant colleges all over this country so that any poor man's son could go learn something new.

When farms gave way to factories, a rich man's son named Teddy Roosevelt fought for an eight-hour workday, protections for workers, and busted monopolies that kept prices high and wages low.

When millions lived in poverty, FDR fought for Social Security, and insurance for the unemployed, and a minimum wage.

When millions died without health insurance, LBJ fought for Medicare and Medicaid.

Together, we forged a New Deal, declared a War on Poverty in a great society. We built a ladder of opportunity to climb, and stretched out a safety net beneath so that if we fell, it wouldn't be too far, and we could bounce back. And as a result, America built the largest middle class the world has ever known. And for the three decades after World War II, it was the engine of our prosperity.

Now, we can't look at the past through rose-colored glasses. The economy didn't always work for everyone. Racial discrimination locked millions out of poverty -- or out of opportunity. Women were too often confined to a handful of often poorly paid professions. And it was only through painstaking struggle that more women, and minorities, and Americans with disabilities began to win the right to more fairly and fully participate in the economy.

Nevertheless, during the post-World War II years, the economic ground felt stable and secure for most Americans, and the future looked brighter than the past. And for some, that meant following in your old man's footsteps at the local plant, and you knew that a blue-collar job would let you buy a home, and a car, maybe a vacation once in a while, health care, a reliable pension. For others, it meant going to college -- in some cases, maybe the first in your family to go to college. And it meant graduating without taking on loads of debt, and being able to count on advancement through a vibrant job market.

Now, it's true that those at the top, even in those years, claimed a much larger share of income than the rest: The top 10 percent consistently took home about one-third of our national income. But that kind of inequality took place in a dynamic market economy where everyone's wages and incomes were growing. And because of upward mobility, the guy on the factory floor could picture his kid running the company some day.

But starting in the late '70s, this social compact began to unravel. Technology made it easier for companies to do more with less, eliminating certain job occupations. A more competitive world lets companies ship jobs anywhere. And as good manufacturing jobs automated or headed offshore, workers lost their leverage, jobs paid less and offered fewer benefits.

As values of community broke down, and competitive pressure increased, businesses lobbied Washington to weaken unions and the value of the minimum wage. As a trickle-down ideology became more prominent, taxes were slashed for the wealthiest, while investments in things that make us all richer, like schools and infrastructure, were allowed to wither. And for a certain period of time, we could ignore this weakening economic foundation, in part because more families were relying on two earners as women entered the workforce. We took on more debt financed by a juiced-up housing market. But when the music stopped, and the crisis hit, millions of families were stripped of whatever cushion they had left.

And the result is an economy that's become profoundly unequal, and families that are more insecure. I'll just give you a few statistics. Since 1979, when I graduated from high school, our productivity is up by more than 90 percent, but the income of the typical family has increased by less than eight percent. Since 1979, our economy has more than doubled in size, but most of that growth has flowed to a fortunate few.

The top 10 percent no longer takes in one-third of our income -- it now takes half. Whereas in the past, the average CEO made about 20 to 30 times the income of the average worker, today's CEO now makes 273 times more. And meanwhile, a family in the top 1 percent has a net worth 288 times higher than the typical family, which is a record for this country.

So the basic bargain at the heart of our economy has frayed. In fact, this trend towards growing inequality is not unique to America's market economy. Across the developed world, inequality has increased. Some of you may have seen just last week, the Pope himself spoke about this at eloquent length. "How can it be," he wrote, "that it is not a news item when an elderly homeless person dies of exposure, but it is news when the stock market loses two points?"

But this increasing inequality is most pronounced in our country, and it challenges the very essence of who we are as a people. Understand we've never begrudged success in America. We aspire to it. We admire folks who start new businesses, create jobs, and invent the products that enrich our lives. And we expect them to be rewarded handsomely for it. In fact, we've often accepted more income inequality than many other nations for one big reason -- because we were convinced that America is a place where even if you're born with nothing, with a little hard work you can improve your own situation over time and build something better to leave your kids. As Lincoln once said, "While we do not propose any war upon capital, we do wish to allow the humblest man an equal chance to get rich with everybody else."

The problem is that alongside increased inequality, we've seen diminished levels of upward mobility in recent years. A child born in the top 20 percent has about a 2-in-3 chance of staying at or near the top. A child born into the bottom 20 percent has a less than 1-in-20 shot at making it to the top. He's 10 times likelier to stay where he is. In fact, statistics show not only that our levels of income inequality rank near countries like Jamaica and Argentina, but that it is harder today for a child born here in America to improve her station in life than it is for children in most of our wealthy allies -- countries like Canada or Germany or France. They have greater mobility than we do, not less.

The idea that so many children are born into poverty in the wealthiest nation on Earth is heartbreaking enough. But the idea that a child may never be able to escape that poverty because she lacks a decent education or health care, or a community that views her future as their own, that should offend all of us and it should compel us to action. We are a better country than this.

So let me repeat: The combined trends of increased inequality and decreasing mobility pose a fundamental threat to the American Dream, our way of life, and what we stand for around the globe. And it is not simply a moral claim that I'm making here. There are practical consequences to rising inequality and reduced mobility.

For one thing, these trends are bad for our economy. One study finds that growth is more fragile and recessions are more frequent in countries with greater inequality. And that makes sense. When families have less to spend, that means businesses have fewer customers, and households rack up greater mortgage and credit card debt; meanwhile, concentrated wealth at the top is less likely to result in the kind of broadly based consumer spending that drives our economy, and together with lax regulation, may contribute to risky speculative bubbles.

And rising inequality and declining mobility are also bad for our families and social cohesion -- not just because we tend to trust our institutions less, but studies show we actually tend to trust each other less when there's greater inequality. And greater inequality is associated with less

mobility between generations. That means it's not just temporary; the effects last. It creates a vicious cycle. For example, by the time she turns three years old, a child born into a low-income home hears 30 million fewer words than a child from a well-off family, which means by the time she starts school she's already behind, and that deficit can compound itself over time.

And finally, rising inequality and declining mobility are bad for our democracy. Ordinary folks can't write massive campaign checks or hire high-priced lobbyists and lawyers to secure policies that tilt the playing field in their favor at everyone else's expense. And so people get the bad taste that the system is rigged, and that increases cynicism and polarization, and it decreases the political participation that is a requisite part of our system of self-government.

So this is an issue that we have to tackle head on. And if, in fact, the majority of Americans agree that our number-one priority is to restore opportunity and broad-based growth for all Americans, the question is why has Washington consistently failed to act? And I think a big reason is the myths that have developed around the issue of inequality.

First, there is the myth that this is a problem restricted to a small share of predominantly minority poor -- that this isn't a broad-based problem, this is a black problem or a Hispanic problem or a Native American problem. Now, it's true that the painful legacy of discrimination means that African Americans, Latinos, Native Americans are far more likely to suffer from a lack of opportunity -- higher unemployment, higher poverty rates. It's also true that women still make 77 cents on the dollar compared to men. So we're going to need strong application of antidiscrimination laws. We're going to need immigration reform that grows the economy and takes people out of the shadows. We're going to need targeted initiatives to close those gaps. (Applause.)

But here's an important point. The decades-long shifts in the economy have hurt all groups: poor and middle class; inner city and rural folks; men and women; and Americans of all races. And as a consequence, some of the social patterns that contribute to declining mobility that were once attributed to the urban poor -- that's a particular problem for the inner city: single-parent households or drug abuse -- it turns out now we're seeing that pop up everywhere.

A new study shows that disparities in education, mental health, obesity, absent fathers, isolation from church, isolation from community groups -- these gaps are now as much about growing up rich or poor as they are about anything else. The gap in test scores between poor kids and wealthy kids is now nearly twice what it is between white kids and black kids. Kids with working-class parents are 10 times likelier than kids with middle- or upper-class parents to go through a time when their parents have no income. So the fact is this: The opportunity gap in America is now as much about class as it is about race, and that gap is growing.

So if we're going to take on growing inequality and try to improve upward mobility for all people, we've got to move beyond the false notion that this is an issue exclusively of minority concern. And we have to reject a politics that suggests any effort to address it in a meaningful way somehow pits the interests of a deserving middle class against those of an undeserving poor in search of handouts. (Applause.)

Second, we need to dispel the myth that the goals of growing the economy and reducing inequality are necessarily in conflict, when they should actually work in concert. We know from our history that our economy grows best from the middle out, when growth is more widely shared. And we know that beyond a certain level of inequality, growth actually slows altogether.

Third, we need to set aside the belief that government cannot do anything about reducing inequality. It's true that government cannot prevent all the downsides of the technological change and global competition that are out there right now, and some of those forces are also some of the things that are helping us grow. And it's also true that some programs in the past,

like welfare before it was reformed, were sometimes poorly designed, created disincentives to work.

But we've also seen how government action time and again can make an enormous difference in increasing opportunity and bolstering ladders into the middle class. Investments in education, laws establishing collective bargaining, and a minimum wage -- these all contributed to rising standards of living for massive numbers of Americans. (Applause.) Likewise, when previous generations declared that every citizen of this country deserved a basic measure of security -- a floor through which they could not fall -- we helped millions of Americans live in dignity, and gave millions more the confidence to aspire to something better, by taking a risk on a great idea.

Without Social Security, nearly half of seniors would be living in poverty -- half. Today, fewer than 1 in 10 do. Before Medicare, only half of all seniors had some form of health insurance. Today, virtually all do. And because we've strengthened that safety net, and expanded pro-work and pro-family tax credits like the Earned Income Tax Credit, a recent study found that the poverty rate has fallen by 40 percent since the 1960s. And these endeavors didn't just make us a better country; they reaffirmed that we are a great country.

So we can make a difference on this. In fact, that's our generation's task -- to rebuild America's economic and civic foundation to continue the expansion of opportunity for this generation and the next generation. (Applause.) And like Neera, I take this personally. I'm only here because this country educated my grandfather on the GI Bill. When my father left and my mom hit hard times trying to raise my sister and me while she was going to school, this country helped make sure we didn't go hungry. When Michelle, the daughter of a shift worker at a water plant and a secretary, wanted to go to college, just like me, this country helped us afford it until we could pay it back.

So what drives me as a grandson, a son, a father -- as an American -- is to make sure that every striving, hardworking, optimistic kid in America has the same incredible chance that this country gave me. (Applause.) It has been the driving force between everything we've done these past five years. And over the course of the next year, and for the rest of my presidency, that's where you should expect my administration to focus all our efforts. (Applause.)

Now, you'll be pleased to know this is not a State of the Union Address. (Laughter.) And many of the ideas that can make the biggest difference in expanding opportunity I've presented before. But let me offer a few key principles, just a roadmap that I believe should guide us in both our legislative agenda and our administrative efforts.

To begin with, we have to continue to relentlessly push a growth agenda. It may be true that in today's economy, growth alone does not guarantee higher wages and incomes. We've seen that. But what's also true is we can't tackle inequality if the economic pie is shrinking or stagnant. The fact is if you're a progressive and you want to help the middle class and the working poor, you've still got to be concerned about competitiveness and productivity and business confidence that spurs private sector investment.

And that's why from day one we've worked to get the economy growing and help our businesses hire. And thanks to their resilience and innovation, they've created nearly 8 million new jobs over the past 44 months. And now we've got to grow the economy even faster. And we've got to keep working to make America a magnet for good, middle-class jobs to replace the ones that we've lost in recent decades -- jobs in manufacturing and energy and infrastructure and technology.

And that means simplifying our corporate tax code in a way that closes wasteful loopholes and ends incentives to ship jobs overseas. (Applause.) And by broadening the base, we can actually lower rates to encourage more companies to hire here and use some of the money we save to

create good jobs rebuilding our roads and our bridges and our airports, and all the infrastructure our businesses need.

It means a trade agenda that grows exports and works for the middle class. It means streamlining regulations that are outdated or unnecessary or too costly. And it means coming together around a responsible budget -- one that grows our economy faster right now and shrinks our long-term deficits, one that unwinds the harmful sequester cuts that haven't made a lot of sense -- (applause) -- and then frees up resources to invest in things like the scientific research that's always unleashed new innovation and new industries.

When it comes to our budget, we should not be stuck in a stale debate from two years ago or three years ago. A relentlessly growing deficit of opportunity is a bigger threat to our future than our rapidly shrinking fiscal deficit. (Applause.)

So that's step one towards restoring mobility: making sure our economy is growing faster. Step two is making sure we empower more Americans with the skills and education they need to compete in a highly competitive global economy.

We know that education is the most important predictor of income today, so we launched a Race to the Top in our schools. We're supporting states that have raised standards for teaching and learning. We're pushing for redesigned high schools that graduate more kids with the technical training and apprenticeships, and in-demand, high-tech skills that can lead directly to a good job and a middle-class life.

We know it's harder to find a job today without some higher education, so we've helped more students go to college with grants and loans that go farther than before. We've made it more practical to repay those loans. And today, more students are graduating from college than ever before. We're also pursuing an aggressive strategy to promote innovation that reins in tuition costs. We've got lower costs so that young people are not burdened by enormous debt when they make the right decision to get higher education. And next week, Michelle and I will bring together college presidents and non-profits to lead a campaign to help more low-income students attend and succeed in college. (Applause.)

But while higher education may be the surest path to the middle class, it's not the only one. So we should offer our people the best technical education in the world. That's why we've worked to connect local businesses with community colleges, so that workers young and old can earn the new skills that earn them more money.

And I've also embraced an idea that I know all of you at the Center for American Progress have championed -- and, by the way, Republican governors in a couple of states have championed -- and that's making high-quality preschool available to every child in America. (Applause.) We know that kids in these programs grow up likelier to get more education, earn higher wages, form more stable families of their own. It starts a virtuous cycle, not a vicious one. And we should invest in that. We should give all of our children that chance.

And as we empower our young people for future success, the third part of this middle-class economics is empowering our workers. It's time to ensure our collective bargaining laws function as they're supposed to -- (applause) -- so unions have a level playing field to organize for a better deal for workers and better wages for the middle class. It's time to pass the Paycheck Fairness Act so that women will have more tools to fight pay discrimination. (Applause.) It's time to pass the Employment Non-Discrimination Act so workers can't be fired for who they are or who they love. (Applause.)

And even though we're bringing manufacturing jobs back to America, we're creating more good-paying jobs in education and health care and business services; we know that we're going to have a greater and greater portion of our people in the service sector. And we know that there are

airport workers, and fast-food workers, and nurse assistants, and retail salespeople who work their tails off and are still living at or barely above poverty. (Applause.) And that's why it's well past the time to raise a minimum wage that in real terms right now is below where it was when Harry Truman was in office. (Applause.)

This shouldn't be an ideological question. It was Adam Smith, the father of free-market economics, who once said, "They who feed, clothe, and lodge the whole body of the people should have such a share of the produce of their own labor as to be themselves tolerably well fed, clothed, and lodged." And for those of you who don't speak old-English -- (laughter) -- let me translate. It means if you work hard, you should make a decent living. (Applause.) If you work hard, you should be able to support a family.

Now, we all know the arguments that have been used against a higher minimum wage. Some say it actually hurts low-wage workers -- businesses will be less likely to hire them. But there's no solid evidence that a higher minimum wage costs jobs, and research shows it raises incomes for low-wage workers and boosts short-term economic growth. (Applause.)

Others argue that if we raise the minimum wage, companies will just pass those costs on to consumers. But a growing chorus of businesses, small and large, argue differently. And already, there are extraordinary companies in America that provide decent wages, salaries, and benefits, and training for their workers, and deliver a great product to consumers.

SAS in North Carolina offers childcare and sick leave. REI, a company my Secretary of the Interior used to run, offers retirement plans and strives to cultivate a good work balance. There are companies out there that do right by their workers. They recognize that paying a decent wage actually helps their bottom line, reduces turnover. It means workers have more money to spend, to save, maybe eventually start a business of their own.

A broad majority of Americans agree we should raise the minimum wage. That's why, last month, voters in New Jersey decided to become the 20th state to raise theirs even higher. That's why, yesterday, the D.C. Council voted to do it, too. I agree with those voters. (Applause.) I agree with those voters, and I'm going to keep pushing until we get a higher minimum wage for hard-working Americans across the entire country. It will be good for our economy. It will be good for our families. (Applause.)

Number four, as I alluded to earlier, we still need targeted programs for the communities and workers that have been hit hardest by economic change and the Great Recession. These communities are no longer limited to the inner city. They're found in neighborhoods hammered by the housing crisis, manufacturing towns hit hard by years of plants packing up, landlocked rural areas where young folks oftentimes feel like they've got to leave just to find a job. There are communities that just aren't generating enough jobs anymore.

So we've put forward new plans to help these communities and their residents, because we've watched cities like Pittsburgh or my hometown of Chicago revamp themselves. And if we give more cities the tools to do it -- not handouts, but a hand up -- cities like Detroit can do it, too. So in a few weeks, we'll announce the first of these Promise Zones, urban and rural communities where we're going to support local efforts focused on a national goal -- and that is a child's course in life should not be determined by the zip code he's born in, but by the strength of his work ethic and the scope of his dreams. (Applause.)

And we're also going to have to do more for the long-term unemployed. For people who have been out of work for more than six months, often through no fault of their own, life is a catch-22. Companies won't give their résumé an honest look because they've been laid off so long -- but they've been laid off so long because companies won't give their résumé an honest look. (Laughter.) And that's why earlier this year, I challenged CEOs from some of America's

best companies to give these Americans a fair shot. And next month, many of them will join us at the White House for an announcement about this.

Fifth, we've got to revamp retirement to protect Americans in their golden years, to make sure another housing collapse doesn't steal the savings in their homes. We've also got to strengthen our safety net for a new age, so it doesn't just protect people who hit a run of bad luck from falling into poverty, but also propels them back out of poverty.

Today, nearly half of full-time workers and 80 percent of part-time workers don't have a pension or retirement account at their job. About half of all households don't have any retirement savings. So we're going to have to do more to encourage private savings and shore up the promise of Social Security for future generations. And remember, these are promises we make to one another. We don't do it to replace the free market, but we do it to reduce risk in our society by giving people the ability to take a chance and catch them if they fall. One study shows that more than half of Americans will experience poverty at some point during their adult lives. Think about that. This is not an isolated situation. More than half of Americans at some point in their lives will experience poverty.

That's why we have nutrition assistance or the program known as SNAP, because it makes a difference for a mother who's working, but is just having a hard time putting food on the table for her kids. That's why we have unemployment insurance, because it makes a difference for a father who lost his job and is out there looking for a new one that he can keep a roof over his kids' heads. By the way, Christmastime is no time for Congress to tell more than 1 million of these Americans that they have lost their unemployment insurance, which is what will happen if Congress does not act before they leave on their holiday vacation. (Applause.)

The point is these programs are not typically hammocks for people to just lie back and relax. These programs are almost always temporary means for hardworking people to stay afloat while they try to find a new job or go into school to retrain themselves for the jobs that are out there, or sometimes just to cope with a bout of bad luck. Progressives should be open to reforms that actually strengthen these programs and make them more responsive to a 21st century economy. For example, we should be willing to look at fresh ideas to revamp unemployment and disability programs to encourage faster and higher rates of re-employment without cutting benefits. We shouldn't weaken fundamental protections built over generations, because given the constant churn in today's economy and the disabilities that many of our friends and neighbors live with, they're needed more than ever. We should strengthen them and adapt them to new circumstances so they work even better.

But understand that these programs of social insurance benefit all of us, because we don't know when we might have a run of bad luck. (Applause.) We don't know when we might lose a job. Of course, for decades, there was one yawning gap in the safety net that did more than anything else to expose working families to the insecurities of today's economy -- namely, our broken health care system.

That's why we fought for the Affordable Care Act -- (applause) -- because 14,000 Americans lost their health insurance every single day, and even more died each year because they didn't have health insurance at all. We did it because millions of families who thought they had coverage were driven into bankruptcy by out-of-pocket costs that they didn't realize would be there. Tens of millions of our fellow citizens couldn't get any coverage at all. And Dr. King once said, "Of all the forms of inequality, injustice in health care is the most shocking and inhumane."

Well, not anymore. (Applause.) Because in the three years since we passed this law, the share of Americans with insurance is up, the growth of health care costs are down to their slowest rate in 50 years. More people have insurance, and more have new benefits and protections -- 100 million Americans who have gained the right for free preventive care like mammograms and contraception; the more than 7 million Americans who have saved an average of \$1,200 on their

prescription medicine; every American who won't go broke when they get sick because their insurance can't limit their care anymore.

More people without insurance have gained insurance -- more than 3 million young Americans who have been able to stay on their parents' plan, the more than half a million Americans and counting who are poised to get covered starting on January 1st, some for the very first time.

And it is these numbers -- not the ones in any poll -- that will ultimately determine the fate of this law. (Applause.) It's the measurable outcomes in reduced bankruptcies and reduced hours that have been lost because somebody couldn't make it to work, and healthier kids with better performance in schools, and young entrepreneurs who have the freedom to go out there and try a new idea -- those are the things that will ultimately reduce a major source of inequality and help ensure more Americans get the start that they need to succeed in the future.

I have acknowledged more than once that we didn't roll out parts of this law as well as we should have. But the law is already working in major ways that benefit millions of Americans right now, even as we've begun to slow the rise in health care costs, which is good for family budgets, good for federal and state budgets, and good for the budgets of businesses small and large. So this law is going to work. And for the sake of our economic security, it needs to work. (Applause.)

And as people in states as different as California and Kentucky sign up every single day for health insurance, signing up in droves, they're proving they want that economic security. If the Senate Republican leader still thinks he is going to be able to repeal this someday, he might want to check with the more than 60,000 people in his home state who are already set to finally have coverage that frees them from the fear of financial ruin, and lets them afford to take their kids to see a doctor. (Applause.)

So let me end by addressing the elephant in the room here, which is the seeming inability to get anything done in Washington these days. I realize we are not going to resolve all of our political debates over the best ways to reduce inequality and increase upward mobility this year, or next year, or in the next five years. But it is important that we have a serious debate about these issues. For the longer that current trends are allowed to continue, the more it will feed the cynicism and fear that many Americans are feeling right now -- that they'll never be able to repay the debt they took on to go to college, they'll never be able to save enough to retire, they'll never see their own children land a good job that supports a family.

And that's why, even as I will keep on offering my own ideas for expanding opportunity, I'll also keep challenging and welcoming those who oppose my ideas to offer their own. If Republicans have concrete plans that will actually reduce inequality, build the middle class, provide more ladders of opportunity to the poor, let's hear them. I want to know what they are. If you don't think we should raise the minimum wage, let's hear your idea to increase people's earnings. If you don't think every child should have access to preschool, tell us what you'd do differently to give them a better shot.

If you still don't like Obamacare -- and I know you don't -- (laughter) -- even though it's built on market-based ideas of choice and competition in the private sector, then you should explain how, exactly, you'd cut costs, and cover more people, and make insurance more secure. You owe it to the American people to tell us what you are for, not just what you're against. (Applause.) That way we can have a vigorous and meaningful debate. That's what the American people deserve. That's what the times demand. It's not enough anymore to just say we should just get our government out of the way and let the unfettered market take care of it -- for our experience tells us that's just not true. (Applause.)

Look, I've never believed that government can solve every problem or should -- and neither do you. We know that ultimately our strength is grounded in our people -- individuals out there, striving, working, making things happen. It depends on community, a rich and generous sense of

community -- that's at the core of what happens at THEARC here every day. You understand that turning back rising inequality and expanding opportunity requires parents taking responsibility for their kids, kids taking responsibility to work hard. It requires religious leaders who mobilize their congregations to rebuild neighborhoods block by block, requires civic organizations that can help train the unemployed, link them with businesses for the jobs of the future. It requires companies and CEOs to set an example by providing decent wages, and salaries, and benefits for their workers, and a shot for somebody who is down on his or her luck. We know that's our strength -- our people, our communities, our businesses.

But government can't stand on the sidelines in our efforts. Because government is us. It can and should reflect our deepest values and commitments. And if we refocus our energies on building an economy that grows for everybody, and gives every child in this country a fair chance at success, then I remain confident that the future still looks brighter than the past, and that the best days for this country we love are still ahead. (Applause.)

Thank you, everybody. God bless you. God bless America. (Applause.)

How Expensive It Is to Be Poor

Charles M. Blow
The New York Times
January 18, 2015

Earlier this month, the Pew Research Center released a study that found that most wealthy Americans believed “poor people today have it easy because they can get government benefits without doing anything in return.”

This is an infuriatingly obtuse view of what it means to be poor in this country — the soul-rending omnipresence of worry and fear, of weariness and fatigue. This can be the view only of those who have not known — or have long forgotten — what poverty truly means.

“Easy” is a word not easily spoken among the poor. Things are hard — the times are hard, the work is hard, the way is hard. “Easy” is for uninformed explanations issued by the willfully callous and the haughtily blind.

Allow me to explain, as James Baldwin put it, a few illustrations of “how extremely expensive it is to be poor.”

First, many poor people work, but they just don’t make enough to move out of poverty — an estimated 11 million Americans fall into this category.

So, as the Pew report pointed out, “more than half of the least secure group reports receiving at least one type of means-tested government benefit.”

And yet, whatever the poor earn is likely to be more heavily taxed than the earnings of wealthier citizens, according to a new analysis by the Institute on Taxation and Economic Policy. As The New York Times put it last week:

“According to the study, in 2015 the poorest fifth of Americans will pay on average 10.9 percent of their income in state and local taxes, the middle fifth will pay 9.4 percent and the top 1 percent will average 5.4 percent.”

In addition, many low-income people are “unbanked” (not served by a financial institution), and thus nearly eaten alive by exorbitant fees. As the St. Louis Federal Reserve pointed out in 2010:

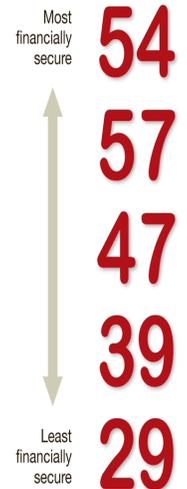
“Unbanked consumers spend approximately 2.5 to 3 percent of a government benefits check and between 4 percent and 5 percent of payroll check just to cash them. Additional dollars are spent to purchase money orders to pay routine monthly expenses. When you consider the cost for cashing a bi-weekly payroll check and buying about six money orders each month, a household with a net income of \$20,000 may pay as much as \$1,200 annually for alternative service fees — substantially more than the expense of a monthly checking account.”

Even when low-income people can become affiliated with a bank, those banks are increasingly making them pay “steep rates for loans and high fees on basic checking accounts,” as The Times’s DealBook blog put it last year.

Poverty Isn't 'Easy'

Poor people today have it easy because they can get government benefits without doing anything in return.

Arrange by level of economic security Percentage that agrees in each quintile



Poor people have hard lives because government benefits don't go far enough to help them live decently.



Source: Pew Research Center poll of 3,154 adults, Sept. 9 - Oct. 3, 2014.

And poor people can have a hard time getting credit. As The Washington Post put it, the excesses of the subprime boom have led conventional banks to stay away from the riskiest borrowers, leaving them “all but cut off from access to big loans, like mortgages.”

One way to move up the ladder and out of poverty is through higher education, but even that is not without disproportionate costs. As the Institute for College Access and Success noted in March:

“Graduates who received Pell Grants, most of whom had family incomes under \$40,000, were much more likely to borrow and to borrow more. Among graduating seniors who ever received a Pell Grant, 88 percent had student loans in 2012, with an average of \$31,200 per borrower. In contrast, 53 percent of those who never received a Pell Grant had debt, with an average of \$26,450 per borrower.”

And often, work or school requires transportation, which can be another outrageous expense. According to the Leadership Conference on Civil and Human Rights:

“Low- and moderate-income households spend 42 percent of their total annual income on transportation, including those who live in rural areas, as compared to middle-income households, who spend less than 22 percent of their annual income on transportation.”

And besides, having a car can make prime targets of the poor. One pernicious practice that the killing of Michael Brown in Ferguson, Mo. — and the protests that followed — resurfaced was the degree to which some local municipalities profit from police departments targeting poor communities, with a raft of stops, fines, summonses and arrests supported by police actions and complicit courts.

As NPR reported in August:

“In 2013, the municipal court in Ferguson — a city of 21,135 people — issued 32,975 arrest warrants for nonviolent offenses, mostly driving violations.”

The story continued:

“ArchCity Defenders, a St. Louis-area public defender group, says in its report that more than half the courts in St. Louis County engage in the ‘illegal and harmful practices’ of charging high court fines and fees on nonviolent offenses like traffic violations — and then arresting people when they don’t pay.”

The list of hardships could go on for several more columns, but you get the point: Being poor is anything but easy.

Skills-Based Education Can Help Solve the Inequality Puzzle

Carrie Sheffield

Forbes

December 18, 2014

Income inequality has been a dominant topic of debate in recent months and will likely influence the coming presidential race. A common argument advanced by fans of inequality economist Thomas Piketty is that, relative to Europe, income inequality in the United States is undermining the economic opportunities of low-income Americans. Yet noticeably absent from this conversation is an in-depth comparison of American and European education systems. A close look reveals that despite the best intentions from civil rights activists, American educational pathways are having a profoundly negative impact on earning potential among members of low-income communities, who deserve much better.

America lags behind most European nations in providing young people with middle-skilled, technical training. This is having a deleterious effect on the life prospects of workers from disadvantaged backgrounds. Research from Harvard University shows that only 2 percent of U.S. high school students concentrate in vocational educational programs, compared with almost 50 percent in Europe's most economically competitive nations. In Austria, Denmark, Germany, the Netherlands, Norway and Switzerland, between 40 and 70 percent of high school students select an educational program that combines academic instruction with real-world job training.

These young Europeans finish high school with the equivalent of a technical degree from an American community college. Should they choose to extend their academic education they have that option, but if not, they have a basic skills floor to build upon. It's no wonder then—despite some unrelated anti-growth policies American policymakers eschew—that youth unemployment is lower in all these countries than in the United States. Youth unemployment is higher in some countries with better skills-based training, but these places have fewer, broad-based economic freedoms than the United States.

Countries with comparable across-the-board economic freedoms and superior skills-based training outscore America among opportunities for the young. Youth unemployment in Germany was just 7.6 percent, compared to 14.2 percent in the United States, according to data from the Organization for Economic Cooperation and Development. In Japan, which also encourages occupational training, youth unemployment was just 6.5 percent.

By contrast, in America we encourage our students to load up on staggering amounts of college debt, often for degrees that offer few marketable skills. Millions of middle-skilled jobs go unfilled because of this skills gap (the Bureau of Labor Statistics reported 4.8 million job vacancies in October).

For-profit colleges have sought to fill this gap by offering technical degrees, but some of them have been unfairly targeted by the Obama administration because of high loan defaults among their students. Yet, higher default rates may be due to the fact that for-profit school disproportionately serve low-income populations. These students could have acquired similar skills in public high schools under current funding streams, but have not.

This disappointing trend arose from the well-intentioned purpose of dismantling a stratified educational system of skills-based vs. theoretical-based tiers, in hopes of creating greater opportunities for historically disadvantaged Americans, particularly among communities of color.

Civil rights leaders worried that minority students were siloed into skills-based occupations that hampered their lifetime career trajectory. In practice this meant obliterating vocational training from high schools across the country and shifting the focus to college-preparatory academics. Ethnically homogeneous European countries without America's troubled racial past did not experience such changes.

“By the end of the 1950s, what was once a perfectly respectable, even mainstream, educational path came to be viewed as a punitive or remedial track designed to hold minority and working-class students back,” writes author Nicholas Wyman in his forthcoming book, *Job U: How to Find Wealth and Success by Developing the Skills Companies Actually Need*. “In short it had become, as *The Economist* magazine put it, ‘America’s most sneered-at high-school program.’”

Wyman cites evidence from Ohio State University showing that at-risk youth benefit the most from vocational education because it does a better job than traditional schooling in keeping them engaged and preventing dropout and incarceration. He argues that technical training should not be viewed as a ceiling but a solid floor for students—a set of “stackable” skills to build upon, regardless of future career path. As the Harvard report cited above states: “[T]he ‘college for all’ rhetoric that has been so much a part of the current education reform movement needs to be significantly broadened to become a ‘post high-school credential for all.’”

The stigmatization of skills-based education has been harmful to the African-American community, where youth unemployment is 25 percent. Rev. William Mathis, a New Haven, Connecticut-based African-American pastor, attorney, and civil rights activist who mentors young men, agrees that too many children are shuttling through the system without getting a balanced education grounded in both theoretical and real-world skills. “One should not be exclusive of the other, people should be given options,” said Mathis, 50, who grew up attending public schools in Georgia, where in high school he said he received vocational training as well as traditional academic training. “Being well-rounded is a good thing,” he said. “The economy demands being versatile in a number of areas.”

Republican Sen. Tim Scott, the first African-American U.S. Senator elected in the post-Reconstruction South, said the past 30 years have seen a decline in vocational education that has hit lower-educated Americans, regardless of race. Sen. Scott, a strong proponent of skills-based education and training, was instrumental in passing elements of the Supporting Knowledge and Investing in Lifelong Skills (SKILLS) Act, to improve job training, especially for at-risk youth. Now he’s fighting for the Leveraging and Energizing America’s Apprenticeship Programs (LEAP) Act, which would provide a tax credit to employers to help increase the number of registered apprenticeships, which are key job entry points for young workers. “That will give kids the opportunity to make a choice, as opposed to just choosing college or nothing,” Sen. Scott said.

In the near future, two-thirds of jobs will not require a four-year college degree, according to research from Georgetown University. If we are serious about discussing income inequality, we need to get serious about equipping the most vulnerable members of our society with the skills they need to navigate this globalized economy.

The “Income Inequality” Warriors

Richard Epstein
Hoover Institution
May 19, 2015

The critical political struggle of the 2016 presidential election may well be the redistribution of wealth. How that issue plays out is likely to depend on whether it is cast in terms of economic growth or income inequality. If the Republicans successfully push the growth agenda, then the Democrats will be on the defensive. If the Democrats drive home the theme of income inequality, then the Republicans will squirm. This is a contest that the Republicans should win if they play their cards correctly.

Let’s start with this fundamental observation: It is possible to reduce income inequality in one of two ways: lower the income at the top or raise it at the bottom. Indeed, it is possible, but only by extreme measures, to eliminate all inequality by spreading the wealth of the richest individuals around so that everyone has the same income. Yet none of the critics of income inequality will go that far, because they realize that that strategy will depress the income of the poor as well as the rich. So instead these critics moderate their demands: they are willing to sacrifice some measure of overall social welfare to obtain greater benefits at the bottom. Their theoretical position is that the substantial gains in utility for the poor will override the relatively small losses in personal satisfaction and living standards that the top income earners will experience as a result of redistribution.

Pity is, they have no idea how to steer this middle course. Politics is a very imperfect science to say the least, so that it is all too easy for these progressive policies to overshoot the mark, as it is much easier to lower levels of wealth than it is to raise them. Put simply, it is an intellectual fantasy to think that it is possible to address questions of inequality without taking into account any productivity losses that these proposals may take. Those difficulties do not arise if the first emphasis is placed instead upon the creation of wealth. Indeed it is altogether possible to improve the position of the worst off in society by a set of productive measures that *widen* the income gap between rich and poor.

Assume that we have just two groups in society, one of whose members all have wealth at the level of 10 and the second, far smaller, have wealth at the level of 1,000. A change in legal position that increases the wealth of the bottom group from 10 to 15 and the top group from 1,000 to 1,200 will increase absolute inequality even as it improves the position of the people at the bottom. Ironically, it will also give larger percentage increases to those at the bottom. Indeed, many social changes do produce gains across the board. But it is typically beyond the capacity of any social planner to steer productive activity in ways that ensure that whatever growth does take place will result in a reduction of any income gap by any system of state taxation and regulation.

This line of reasoning has not, of course, stopped the champions of income equality in the Democratic Party from pushing its front-running candidate, Hillary Clinton, into putting the inequality issue front and center during the current campaign. Unfortunately, it is difficult to find policy prescriptions that can achieve the lofty goal of producing a sustainable version of income equality. One outspoken critic of income inequality is the New York Times’ columnist Nicholas Kristof, who in a recent column, “Inequality is a Choice,” made it appear that the issue is more tractable to legislative fixes than is in fact the case.

Kristof used as his lightning rod the deplorable state of affairs in Baltimore, Maryland, to explain the urgency of the income inequality crisis. But, as I have already argued, the precarious situation in Baltimore is the necessary outcome of the very economic policies that progressives like Kristof would like to see implemented on a national scale. The simple economic truth is that the prolonged downturn in Baltimore does not trace its roots back, as has often been claimed, to segregation, but to the simple fact that Democrats have controlled every aspect of the public life

in the city from 1963 to the present, during which time crime increased, taxes rose, regulations proliferated, and about one-third the city's population fled. The challenge is to find a set of progressive policies that do not have that combined toxic effect.

It is just there that the tired suggestions of Kristof demonstrate the futility of his position. He berates his fellow Americans for not thinking that inequality is the result of conscious social choices. He is surely right about the general point, but wrong in sizing up the situation when he denounces the nation, which has "chosen to prioritize tax shelters over minimum wages, subsidies for private jets over robust services for children to break the cycle of poverty."

But his argument breaks down because of two mistakes; the first is the near random juxtaposition of two programs, each of which should be considered separately from the other. The second is the failure to ask which of these proposals will pass muster in an economy that runs on the principles of strong property rights, freedom of contract, and limited government.

Within a classical liberal position, all subsidies to any groups should generally be regarded with suspicion. In this case, the condemnation of tax shelters is high on the list of classical liberal targets. Tax subsidies, whether for the rich or the poor, lead to a misallocation of resources. The subsidized activity now takes place past the point where marginal revenues exceed marginal cost, and thus leads to social losses. For these purposes, it does not matter whether the subsidy comes from general revenues or from specific levies against other particular lines of business. Both should be rejected. Tax shelters to the rich do not pass the test under any theory of limited government.

But why couple tax shelters with the minimum wage, which does not help the poor even if tax subsidies for the rich were reduced today? In his column, Kristof bemoans Utah Senator Mike Lee for lamenting the lack of equality of opportunity in the United States. But Lee has the better of this argument. The minimum wage laws kill opportunities for the least well-off in society by making it too costly for firms to hire marginal workers. In so doing, it cuts them out of the working economy, and makes them ever more dependent on a set of transfer payments that do nothing to increase their skill sets, self-sufficiency, or sense of self-respect. It is one thing for an employer to give workers raises as a spur to, or recognition of, greater productivity. But when government imposes those obligations from without, it hurts the very individuals whom it wants to help.

Knocking out any tax subsidies for corporate jets is likewise a no-brainer for the same reason. But it is a much harder position to think of how best to provide those "robust services" to get children out of poverty. On this score, the standard progressive line is to favor stronger unions within the framework of an overall public school system. But that system works for the benefits of the unions, and not for the benefit of the children who are denied access to charter schools, which provide better education to the children that they teach than ordinary public schools.

Kristof then cites the work of the British economist Antony B. Atkinson, whose new book *Inequality: What Can Be Done?* only illustrates the massive progressive confusion on this subject. To be sure, both Atkinson and Kristof are right to insist that government take concern with competition and monopoly policy. But the pro-competition program is an integral part of the classical liberal tradition. So the key question is exactly how to implement the program. My own view is that the stress should be on horizontal cartels that reduce output, raise prices, and reduce social welfare. The great danger in this area is that competition policy can attack successful companies like Google and Microsoft, not because they have engaged in monopolistic behavior, but because their wealth as foreign companies makes them ready targets for redistribution in Europe or China.

It is not enough therefore for egalitarians to state their ultimate objective. It is equally necessary that their proposals can implement that objective correctly. Yet that cannot be done on matters of monopoly and competition, if in the next breath comes a plea that unions be strengthened. That

plea is wholly ironic since the success of large industrial unions depends on their ability to exert monopoly power over employers in both the public and private sector. Put simply, Kristof's second recommendation is inconsistent with the first, and depends on the wholly unsupportable claim that the monopoly power of labor unions is somehow different from that possessed by firms when in fact the same principles apply to both.

Ironically, therefore, one useful reform that might improve management labor relations is to remove the bar in the National Labor Relations Act that prevents the formation of company unions. That one reform could allow workers to have a collective voice within the firm, without organizing industry-wide strikes that can idle a nation with large negative consequences to the overall economy. But the notion that industry-wide unions can help redress income inequality is wholly misconceived. Unions bargain for the advantage of their members, and the only way that they can keep wages above the competitive level is to cut job opportunities to lower paid workers in the effort to obtain higher wages, which in turn will result in higher consumer prices for poor and rich alike.

The rest of the Atkinson/Kristof program is also a recipe for economic disaster. There is no way to organize a system of public service jobs at minimum wage that is capable of supplying services that are needed. The proposal will typically result in make-work positions that will reduce the number of workers who can obtain private sector jobs. Likewise, there is little merit in thinking that much relief could come from raising marginal tax rates to 65 percent. Putting that reform is moving into uncharted waters, where it is likely that reducing private investment capital will cut the demand for labor, lowering overall wage levels. A tax reduction is on balance, more likely, to result in overall improvements, which is why states that favor low taxation policies typically outperform their high-taxation rivals.

Sensible policies to combat inequality follow from a consistent classical liberal position, which seeks to promote competition in the private market and in the provision of public education. The rest of the egalitarian program is counterproductive insofar as it keeps the poor worse while leaving the rich worse off as well. That is a strategy for dual ruin that will only deepen the current economic malaise.

Both parties agree: Economic mobility will be a defining theme of 2016 campaign

Phillip Rucker and Dan Balz

The Washington Post

January 11, 2015

Presidential hopefuls in both parties agree on at least one thing: Economic mobility, and the feeling of many Americans that they are being shut out from the nation's prosperity, will be a defining theme of the 2016 campaign.

Former Florida governor Jeb Bush last week became the latest Republican to signal a readiness to engage Democrats on what historically has been their turf, putting issues of middle-class wage stagnation, poverty and shared prosperity at the forefront of their political messages.

Bush's framing of the economic and social challenges facing the country nearly mirrors that of likely Democratic candidate Hillary Rodham Clinton, as well as other possible contenders on the left. Sen. Marco Rubio (R-Fla.) has written a book on the subject, "American Dreams: Restoring Economic Opportunity for Everyone." to be published this week, while Sen. Rand Paul (R-Ky.) has proposed policies for distressed communities that he sees as "the ticket to the middle class."

And Mitt Romney, the 2012 GOP nominee who was portrayed by Democrats as insensitive to and out of touch with the lives of middle- and working-class Americans, has told friends he considers poverty a topic du jour as he weighs another run in 2016.

"You talk to any pollster, on the Democratic side or the Republican side, they're in complete agreement on the idea that there has to be an economic populist message," said Matthew Dowd, a top strategist for former president George W. Bush's 2000 and 2004 campaigns. "Then it comes down to 'Are there credible solutions and is there a credible candidate?'"

About 45 million Americans live at or below the poverty line, according to last fall's census estimates, while the median household income in the United States in 2013 was just under \$52,000. Adjusted for inflation, the median is 8 percent lower than it was in 2007, the last full year before the recession, and 11 percent below what it was in 2000.

Wage stagnation has been a persistent problem for low- and middle-income workers. "Since the late 1970s, wages for the bottom 70 percent of earners have been essentially stagnant, and between 2009 and 2013, real wages fell for the entire bottom 90 percent of the wage distribution," Lawrence Mishel of the liberal Economic Policy Institute wrote in a paper published this month.

Launching his new political action committee, Right to Rise, Jeb Bush asserted last week in the PAC's mission statement that President Obama's tenure has been "pretty good" for those at the top of the income scale but a "lost decade" for everyone else.

"Millions of our fellow citizens across the broad middle class feel as if the American Dream is now out of their reach; that our politics are petty and broken; that opportunities are elusive; and that the playing field is no longer fair or level," Bush wrote. "Too many of the poor have lost hope that a path to a better life is within their grasp."

Bush's focus adds an unexpected element to the coming debate and puts pressure on the entire field, himself included, to come forward with fresh policies that address the nation's core economic problems.

The shift also highlights a potential vulnerability for Democrats. In his campaigns, Obama twice promised to focus on wealth inequality and middle-class stagnation, but those problems persist even as the economy revs up and unemployment falls.

Clinton could be challenged now from both the right and the left to lay out solutions that go beyond Obama's — and also to develop a political voice of her own to articulate them. Democrats conceded after last fall's midterm elections that they had not found a compelling economic message.

Democrats will look to Clinton, should she run, to take the lead in doing that — although they also are looking to Sen. Elizabeth Warren (D-Mass.) and her harder-edged populist rhetoric.

Clinton tested such a message last year. In a major speech at the New America Foundation in May, she said that Americans are “finding it harder than ever to get their footing in our changing economy. The dream of upward mobility that made this country a model for the world feels further and further out of reach.”

The language of Bush, Rubio and other Republicans appears aimed at avoiding the problem that bedeviled Romney throughout his 2012 campaign. The former Massachusetts governor's memorable comment about the “47 percent” of the population who he said depend on government and feel like victims haunted him during the final months before the election.

Yuval Levin, editor of the conservative journal *National Affairs*, said the overall shift in emphasis by Republicans is an effort to move away from Romney's more abstract message of job growth and to focus more specifically on social mobility and solutions for those at or near the bottom.

“It's a process of letting the light out from under the bushel,” Levin said. Citing past conservative leadership in reforming welfare, he added: “I think Republican ideas have always held this promise, but conservatives have not always emphasized these elements. . . . A difference in emphasis is not insignificant.”

Democrats, however, argue that revising their rhetoric will not be enough for Republicans — especially if Jeb Bush becomes the GOP nominee — to gloss over former president George W. Bush's legacy, which Democrats say tightened the middle-class squeeze.

“It's not like the Republican Party has clean hands on the issue of rising inequality,” said Neera Tanden, president of the Center for American Progress and an adviser to Clinton on economic policy. “It's a weird thing to say, ‘I care about how the rest of the country is doing, not just the top earners,’ when your brother cut taxes for the wealthy and your party's economic position starts with undoing Dodd-Frank,” the 2010 law that tightened regulation of Wall Street.

Obama hit the road last week to highlight economic successes of his presidency, from the auto industry bailout to more robust overall growth in the last half of 2014. Still, many Democrats acknowledge that there is a large gap between promise and results on issues of middle-class insecurities.

That is where Bush and some other Republicans are taking aim. Two factors have contributed to the opening they see.

One is the continued problem of stagnating wages for the broad middle class and the income gap between rich and non-rich. The other is new evidence that it has become harder for those at the bottom to rise into the middle class, and that the risk of some born into the middle class — particularly minorities — falling out of it is growing.

Democrats long have been seen as the party more trusted to deal with middle-class economic issues. Republicans long have resisted policies that smack of economic redistribution. Could that be changing?

“How do you tell the middle class, ‘We’re your guy?’ ” said Grover Norquist, a conservative anti-tax advocate. “Republicans feel comfortable saying that now because they feel the guys they’re running against are sufficiently discredited.”

William Galston of the Brookings Institution said that the issue of blocked social mobility is one Republicans will feel more comfortable engaging — and on their own terms. “That’s what Jeb Bush is saying: ‘We can accept a definition of a problem . . . but give unabashedly conservative responses to those challenges,’ ” he said.

But Galston, a former domestic policy adviser to President Bill Clinton, said Bush’s framing of the issue this way means he has put down a marker that he will be expected to meet.

“I would expect to hear from him over the coming months some of the best and most innovative conservative thinking on opportunity and upward mobility,” he said. “That will be a fair test on how much gas there is in the conservative ideas tank.”

Other Republicans have been working to reorient their party toward blue-collar economics and to put forward fresh economic ideas. Former senator Rick Santorum of Pennsylvania and former Arkansas governor Mike Huckabee, two former presidential candidates who are looking at running in 2016, long have talked about the GOP’s need to recognize the problems of working families.

House Ways and Means Committee Chairman Paul Ryan (R-Wis.) has focused on policies designed to lift people out of poverty. In 2012, as Romney’s running mate, Ryan wanted to campaign in inner cities and give speeches promoting individual empowerment. He was frustrated that Romney’s campaign team directed him to talk about other topics.

Rubio has proposed a fundamental shift in anti-poverty programs. He has suggested devolving power and responsibility from Washington to the states by consolidating federal monies into a “flex fund.” The senator from Florida has called for significant reductions in federal regulations that he says will spur creation of better jobs. On education, he has offered a series of reforms designed to lessen the burden of student loan debt and expand access to apprenticeship programs. Rubio and others also have proposed changes in the earned-income tax credit to extend its reach to more people.

Democrats are skeptical that Republicans can meet the challenge with policy proposals that are much beyond calls for tax cuts to spur economic growth and further efforts to scale back the size of government.

“It sounds to me like a traditional Romney Republican trickle-down agenda but with a willingness to engage on inequality and mobility,” said Jared Bernstein, a former adviser to Vice President Biden who works at the Center of Budget and Policy Priorities.

Democrats say it’s too early to draw conclusions, but they note that if Bush and other Republicans find new ways to engage middle-class voters with populist themes, the pressures on Clinton will mount significantly.

“Voters are going to [say], ‘Okay, thank you for acknowledging this problem, but what are you going to do about it?’ ” Bernstein said. “I would argue that Democrats are going to have to have more in their toolbox than [raising the] minimum wage and universal pre-K.”