

## THE HAMILTON PROJECT POLICY RESPONSE TO THE STATE OF THE UNION ADDRESS January 29, 2014

## "...the best measure of opportunity is access to a good job."

In his 2014 State of the Union address, President Barack Obama spoke of a "breakthrough year for America" and foreshadowed a "year of action." He focused on ways to expand opportunities for Americans by enhancing employment and education options for low- and middle-income citizens, developing more robust worker training programs, investing in America through infrastructure investments and energy innovation, making progress on immigration reform, and more.

Since its launch in 2006, The Hamilton Project has released a range of targeted policy proposals that provide innovative, evidence-based approaches that address many of the policy priorities set forth in last night's address.

### STRENGTHENING K-12 EDUCATION FOR ALL AMERICANS

"Of course, it's not enough to train today's workforce. We also have to prepare tomorrow's workforce, by guaranteeing every child access to a world-class education."

Early education has long been central to America's vision of opportunity for all, and remains key to both individual achievement and to national economic strength. The Hamilton Project explores innovative proposals to increase the effectiveness of the K-12 educational system and boost the skills of all Americans.

HARNESSING TECHNOLOGY TO IMPROVE K-12 EDUCATION by Aaron Chatterji and Benjamin F. Jones This proposal considers a signature American strength—innovation—and how to apply it to K–12 education. Specifically, the proposal provides solutions to overcome a fundamental obstacle to innovation in the early classroom: that the effectiveness of learning technologies is rarely known.

ORGANIZING SCHOOLS TO IMPROVE STUDENT ACHIEVEMENT: START TIMES, GRADE CONFIGURATIONS, AND TEACHER ASSIGNMENTS by Brian A. Jacob and Jonah E. Rockoff

In this paper, the authors describe three organizational reforms that recent evidence suggests have the potential to increase K–12 student performance at modest cost. These include: starting school later in the day for some students, integrating elementary and middle schools, and managing teacher assignments with an eye toward maximizing student achievement.

### THE POWER AND PITFALLS OF EDUCATION INCENTIVES by Bradley M. Allan and Roland Fryer, Jr.

The authors draw on school-based field experiments with student and teacher incentives to offer a series of guidelines for designing successful educational incentive programs. Incentives for inputs, such as doing homework or reading books, produced modest gains and might have positive returns on investment, and thus provide the best direction for future programs.

## **LEARNING FROM THE SUCCESSES AND FAILURES OF CHARTER SCHOOLS** by Ronald Fryer, Jr.

The author examines charter schools of varying to quality to discern what differentiates high-performing and low-performing charter schools. An expansive data collection and analysis yielded an index of five educational practices that explains much of the gap between high- and low-performing charter schools in a number of cities.

# <u>IDENTIFYING EFFECTIVE TEACHERS USING PERFORMANCE ON THE JOB</u> by Robert Gordon, Thomas J. Kane, and Douglas O. Staiger

The authors propose federal support to help states measure the effectiveness of individual teachers, based on their impact on student achievement, subjective evaluations by principals and peers, and parental evaluations. States would be given considerable discretion to develop their own measures as long as student achievement impacts (using so-called "value-added" measures) are a key component, and the federal government would create incentives for teachers to receive high ratings.

Summer Opportunity Scholarships (SOS): A Proposal to Narrow the Skills GaP by Alan B. Krueger In this paper, the author proposes and designs a policy of Summer Opportunity Scholarships (SOS) to provide scholarships for economically disadvantaged children in kindergarten through fifth grade to participate in a six-week summer school or summer enrichment program of their parents' choosing. SOS summer program providers will be required to use small-group, scientifically based instruction with a strong emphasis on improving basic reading and math skills.

## **A DOZEN ECONOMIC FACTS ABOUT K-12 EDUCATION**

In this set of economic facts, The Hamilton Project illustrates the state of educational attainment in the United States and the growing importance of education in determining people's well-being. On many dimensions—lifetime earnings, incarceration rates, and life expectancy, to name a few—Americans who do not graduate from high school or college are increasingly falling behind those with a college degree.

### PROMOTING ACCESS AND AFFORDABILITY IN HIGHER EDUCATION

"We're shaking up our system of higher education to give parents more information, and colleges more incentives to offer better value, so that no middle-class kid is priced out of a college education."

The Hamilton Project has released a series of papers focusing on how changes in student lending and financial-aid policies can help improve college outcomes, the importance of improving college access, and the pivotal role that education can play in increasing the ability of low-income Americans to move up the income ladder.

## INFORMING STUDENTS ABOUT THEIR COLLEGE OPTIONS: A PROPOSAL FOR BROADENING THE EXPANDING COLLEGE OPPORTUNITIES PROJECT by Caroline M. Hoxby and Sarah Turner

The authors present a strategy for improving college outcomes for high-achieving, low-income students. Building on previous research showing that most high-achieving, low-income students do not even apply to selective colleges, Hoxby and Turner propose expanding a recently piloted informational intervention called the Expanding College Opportunities (ECO) Project.

## LOANS FOR EDUCATIONAL OPPORTUNITY: MAKING BORROWING WORK FOR TODAY'S STUDENTS by Susan M. Dynarski and Daniel Kreisman

The current federal student lending system requires students to repay loans during the first decade after college, when their incomes are relatively low and variable. In this paper, the authors propose a strategy to improve student lending through the adoption of an income-contingent repayment plan.

# REDESIGNING THE PELL GRANT PROGRAM FOR THE TWENTY-FIRST CENTURY by Sandy Baum and Judith Scott-Clayton

The structure of the Pell Grant program has remained fundamentally unchanged since its inception in 1972. This proposal calls for three major structural reforms to fit the needs of a twenty-first-century economy and student population.

### **SIMPLIFYING ESTIMATES OF COLLEGE COSTS** by Philip Levine

The lack of clear information about the widening gap in perceived and actual costs of college can act as an impediment in students' decision-making process. The author proposes a way to simplify and improve the transparency of college cost estimates based on a pilot program currently underway at Wellesley College.

GRADING HIGHER EDUCATION: GIVING CONSUMERS THE INFORMATION THEY NEED by Bridget Terry Long
Potential students and their families must navigate a labyrinth of incomplete and uncertain information when deciding where to go to college, what to study, or what career to pursue, resulting in an array of poor choices being made every day. This proposal calls for the federal government to expand the types of information that are available and allow users to compare indicators like cost, financial aid, student debt, employment outcomes, and average salaries following graduation, across peer institutions.

### THIRTEEN ECONOMIC FACTS ABOUT SOCIAL MOBILITY AND THE ROLE OF EDUCATION

This Hamilton Project policy memo examines the relationship between growing income inequality and social mobility in America. The memo explores the growing gap in educational opportunities and outcomes for students based on family income and the great potential of education to increase upward mobility for all Americans.

### REFORMING AMERICA'S WORKER TRAINING PROGRAMS

"So tonight, I've asked Vice President Biden to lead an across-the-board reform of America's training programs to make sure they have one mission: train Americans with the skills employers need, and match them to good jobs that need to be filled right now. That means more on-the-job training, and more apprenticeships that set a young worker on an upward trajectory for life. It means connecting companies to community colleges that can help design training to fill their specific needs. And if Congress wants to help, you can concentrate funding on proven programs that connect more ready-to-work Americans with ready-to-be-filled jobs."

America's greatest economic resource lies in the skill and energy of its workforce. The Hamilton Project has produced several proposals for improving programs to help ensure that workers receive high-quality, effective training.

<u>Using Data to Improve the Performance of Workforce Training</u> by Louis Jacobson and Robert J. LaLonde The authors propose a state-by-state solution to improving worker training, by relying on a competitive framework to encourage states to help prospective trainees make better-informed choices.

## RAISING JOB QUALITY AND SKILLS FOR AMERICAN WORKERS: CREATING MORE-EFFECTIVE EDUCATION AND WORKFORCE DEVELOPMENT SYSTEMS IN THE STATES by Harry J. Holzer

Less educated workers often experience prolonged periods of unemployment and stagnating wages because they lack the skills necessary to compete in a global economy. This paper proposes a set of competitive grants to fund education, training, and career counseling initiatives that feature private sector connections based on the experience of existing successful workforce development programs.

## <u>POLICIES TO REDUCE HIGH-TENURED DISPLACED WORKERS' EARNINGS LOSSES THROUGH TRAINING</u> by Louis S. Jacobson, Daniel G. Sullivan, and Robert J. LaLonde

After being displaced from long-tenured jobs, workers often experience persistent, significant earnings losses. In this paper, the authors propose the establishment of a Displaced Worker Training Program to distribute grants to displaced workers so they can obtain longer-term training to substantially increase their earnings.

# STRENGTHENING ONE-STOP CAREER CENTERS: HELPING MORE UNEMPLOYED WORKERS FIND JOBS AND BUILD SKILLS by Louis S. Jacobson

This paper explores the role that One-Stop Career Centers play in helping the unemployed build new skills and find new jobs. It proposes introducing new performance measures that would make better use of existing resources and thereby expand One-Stop capacity to help more workers.

### SUPPORTING AMERICAN WORKERS

The Hamilton Project explores innovative proposals that help create jobs, provide a strong social safety net for American families during times of distress, and secure the promise of the American Dream that each generation can achieve more than the last.

"Today, the federal minimum wage is worth about twenty percent less than it was when Ronald Reagan first stood here. Tom Harkin and George Miller have a bill to fix that by lifting the minimum wage to \$10.10. This will help families. It will give businesses customers with more money to spend. It doesn't involve any new bureaucratic program. So join the rest of the country. Say yes. Give America a raise."

### THE "RIPPLE EFFECT" OF A MINIMUM WAGE INCREASE ON AMERICAN WORKERS

The Hamilton Project considers the likely magnitude of the effects of a minimum wage increase on the number and share of workers affected. Considering that near-minimum wage workers would also be affected, this analysis finds that an increase in the minimum wage could raise the wages of up to 35 million workers.

"I'm also convinced we can help Americans return to the workforce faster by reforming unemployment insurance so that it's more effective in today's economy."

### THE IMPORTANCE OF UNEMPLOYMENT INSURANCE FOR AMERICAN FAMILIES & THE ECONOMY: TAKE 2

The Hamilton Project reexamines unemployment insurance. The analysis highlights evidence suggesting that extended benefits provide a sizable boost for workers and the economy, but have little negative effect on unemployment duration.

"...give these hardworking, responsible Americans that chance...they need our help, but more importantly, this country needs them in the game."

STRENGTHENING SNAP FOR A MORE FOOD-SECURE, HEALTHY AMERICA by Diane Whitmore Schanzenbach
The Supplemental Nutrition Assistance Program (SNAP)—formerly known as the Food Stamp Program—
is an essential part of America's social safety net. In a new Hamilton Project discussion paper, the author
proposes five reforms that could strengthen SNAP, including incentives for participants to purchase
healthier foods and improvements to the benefit formula.

## <u>BRINGING JOBS TO PEOPLE: HOW FEDERAL POLICY CAN TARGET JOB CREATION FOR ECONOMICALLY DISTRESSED AREAS</u> by Timothy Bartik

In this proposal, the author proposes three solutions to bring jobs to distressed areas: customized job training programs for businesses and employees, advice and consulting services through the Manufacturing Extension Partnership program, and a package of grants for local services and tax breaks through a reformed and revitalized Empowerment Zone program.

## A DOZEN FACTS ABOUT AMERICA'S STRUGGLING LOWER-MIDDLE CLASS

This Hamilton Project policy paper provides a dozen facts on struggling lower-middle-class families focusing on two key challenges: food insecurity, and the low return to work for struggling lower-middle-class families who lose tax and transfer benefits as their earnings increase. These facts highlight the critical role of federal tax and transfer programs in providing income support to families struggling to remain out of poverty.

## TAX REFORM TO SUPPORT STRUGGLING FAMILIES

"There are other steps we can take to help families make ends meet, and few are more effective at reducing inequality and helping families pull themselves up through hard work than the Earned Income Tax Credit. Right now, it helps about half of all parents at some point. But I agree with Republicans like Senator Rubio that it doesn't do enough for single workers who don't have kids. So let's work together to strengthen the credit, reward work, and help more Americans get ahead."

The tax code can be one vehicle for alleviating poverty and rewarding Americans for work. The Hamilton Project has put forward several proposals that make work pay and improve the livelihood of low-wage workers.

## GIVING SECONDARY EARNERS A TAX BREAK: A PROPOSAL TO HELP LOW-AND MIDDLE-INCOME FAMILIES by Melissa Kearney and Leslie Turner

The current tax system hampers low- and middle-income families who add secondary earners to the workforce to augment their primary breadwinner's income. The authors propose a secondary earner tax deduction that would help make work pay for dual-earner families.

## **EMPLOYMENT-BASED TAX CREDITS FOR LOW-SKILLED WORKERS** by John Karl Scholz

For families in low-income communities, unemployment rates are high, incarceration rates of low-skilled men are high and a large fraction of children are being raised in single-parent households. To address these interrelated problems, this paper proposes a policy designed to increase the return to work through an expanded earned income tax credit that would apply to low-income, childless taxpayers; and through a targeted wage subsidy for low-wage workers who live in certain economically depressed areas.

#### A Dozen Economic Facts About Tax Reform

The Hamilton Project compiled a series of facts aimed at informing today's tax reform debates, which are often based on misconceptions or lack good evidence. They are presented in the spirit of the late U.S. Senator Daniel Patrick Moynihan's famous saying, "Everyone is entitled to his own opinions, but not to his own facts."

### A MODERN APPROACH TO CORPORATE TAX REFORM

"Both Democrats and Republicans have argued that our tax code is riddled with wasteful, complicated loopholes that punish businesses investing here, and reward companies that keep profits abroad. Let's flip that equation. Let's work together to close those loopholes, end those incentives to ship jobs overseas, and lower tax rates for businesses that create jobs here at home."

The U.S. corporate tax system introduced more than 100 years ago has not kept pace with changes to the economy. The growing role of financial innovation and the increasingly global nature of U.S. corporate operations are chief among these changes, necessitating reform. The Hamilton Project has released several proposals to improve our nation's corporate and business taxation.

## A MODERN CORPORATE TAX by Alan J. Auerbach

The author proposes two reforms to the U.S. corporate tax system: first, an immediate deduction for all investments that would replace the current system of depreciation allowances, and second, replacing the current approach to taxing foreign-source income with a system that ignores all transactions except those occurring exclusively in the United States.

# REFORMING CORPORATE TAXATION IN A GLOBAL ECONOMY: A PROPOSAL TO ADOPT FORMULARY APPORTIONMENT by Kimberly A. Clausing and Reuven S. Avi-Yonah

In this paper, the authors argues that the current system of taxing multinational firms generates tax distortions. It proposes a new system that would protect the U.S. tax base while alleviating problems created by the current system.

### REHABILITATING THE BUSINESS INCOME TAX by Edward D. Kleinbard

The author introduces the Business Enterprise Income Tax (BEIT), a proposal for reforming business income taxation. It is argued that the BEIT would achieve comprehensive and consistent taxation of capital income.

## **PROMOTING RETIREMENT SAVINGS FOR ALL AMERICANS**

"Today, most workers don't have a pension. A Social Security check often isn't enough on its own. And while the stock market has doubled over the last five years, that doesn't help folks who don't have 401ks. That's why, tomorrow, I will direct the Treasury to create a new way for working Americans to start their own retirement savings: MyRA."

"And if this Congress wants to help, work with me to fix an upside-down tax code that gives big tax breaks to help the wealthy save, but does little to nothing for middle-class Americans. Offer every American access to an automatic IRA on the job, so they can save at work just like everyone in this chamber can."

Reforming retirement savings is imperative to the wellbeing of older workers and retirees. The Hamilton Project has focused on strategies to incentivize retirement savings, and on ways to improve lifetime income planning.

## BETTER WAYS TO PROMOTE SAVING THROUGH THE TAX SYSTEM by Karen Dynan

In this proposal, the author proposes improving incentives for saving among low-income households by expanding the use of behavioral approaches and other incentives. Additionally, she proposes reducing inefficient tax expenditures for higher-income households.

INCREASING ANNUITIZATION OF 401(K) PLANS WITH AUTOMATIC TRIAL INCOME by J. Mark Iwry, William G. Gale, David C. John, and Lina Walker

The authors offer a policy that would increase the role of lifetime income products in future retirees' overall retirement planning. This strategy addresses market function by making it easier for a substantial number of retirees to purchase lifetime income plans; the increased volume of sales would reduce prices and make them a better value for the average consumer.

## **INVESTING IN AMERICA'S INFRASTRUCTURE**

"Moreover, we can take the money we save with this transition to tax reform to create jobs rebuilding our roads, upgrading our ports, unclogging our commutes – because in today's global economy, first-class jobs gravitate to first-class infrastructure."

A broad range of infrastructure projects are crucial for our nation's economic growth, from the schools that educate our children, to the airports, highways, waterways, bridges, and public transit that facilitate travel and commerce, to broadband investments that speed information technology. The Hamilton Project explores innovative proposals to ensure that existing resources are used more efficiently, and prioritize new investment in projects that will have the greatest economic impact.

<u>Funding Transportation Infrastructure with User Fees</u> by Jack Basso and Tyler Duvall In this policy proposal, the authors recommend expanding the use of user fees and tolls to fund ground transportation. This would benefit the broader U.S. economy by increasing revenues, reducing congestion on major roadways and reducing pollution.

<u>Public-Private Partnerships to Revamp U.S. Infrastructure</u> by Eduardo Engel, Ronald Fischer, and Alexander Galetovic

The authors propose a series of best practices for state and local governments to follow when using public—private partnerships to provide infrastructure. These include choosing partnerships for the right reasons, relying on flexible-term Present-Value-of-Revenue contracts, including partnerships on government balance sheets, and implementing good governance practices.

## FIX IT FIRST, EXPAND IT SECOND, REWARD IT THIRD: A New STRATEGY FOR AMERICA'S HIGHWAYS by David M. Levinson and Matthew E. Kahn

These authors propose a reorganization of our national highway infrastructure priorities to preserve, maintain, and enhance existing infrastructure and the creation of the Federal Highway Bank to meet these goals.

## BRINGING BROADBAND TO AMERICA'S UNDERSERVED COMMUNITIES by Jon M. Peha

This proposal outlines policies through which government could facilitate the expansion of broadband infrastructure into unserved communities. The author argues that these policy reforms would move America closer to the goal of universal access to broadband Internet.

## THE IMPORTANCE OF IMMIGRATION REFORM FOR THE ECONOMY

"Independent economists say immigration reform will grow our economy and shrink our deficits by almost \$1 trillion in the next two decades. And for good reason: when people come here to fulfill their dreams – to study, invent, and contribute to our culture – they make our country a more attractive place for businesses to locate and create jobs for everyone."

Most Americans agree that the current U.S. immigration system is flawed. Less clear, however, are the economic facts about immigration—the real effects that new immigrants have on wages, jobs, budgets, and the U.S. economy—that are essential to a constructive national debate.

Overhauling the Temporary Work Visa System by Pia Orrenius, Giovanni Peri, and Madeline Zavodny In this paper the authors present a strategy to change the U.S. employment-based immigration system to make the system more efficient, increase the economic benefits of immigration and raise revenues by using market-based auctions to allocate visas.

## RATIONALIZING U.S. IMMIGRATION POLICY: REFORMS FOR SIMPLICITY, FAIRNESS, AND ECONOMIC GROWTH by Giovanni Peri

This proposal calls for a practical set of immigration reforms, starting with market-based changes to employment-based visas to better link visas with the labor market and ending with broad simplification in many areas of policy.

#### **TEN ECONOMIC FACTS ABOUT IMMIGRATION**

This Hamilton Project policy memo explores some of the questions frequently raised around immigration in the United States. The memo paints a more nuanced portrait of American immigration than is portrayed in today's debate. In particular, the facts indicate that the U.S. immigrant population is far from a monolith; on the contrary, it includes several groups, each of which affects the U.S. economy in a different way.

#### WHAT NEW IMMIGRANTS COULD MEAN FOR AMERICAN WAGES

The Hamilton Project examines how future immigration trends could impact American wages, using targets set in the recently-passed Senate bill as a signpost. Understanding that S.744 is just the first piece of legislation out of the gate, the new analysis suggests that the average impact of new immigrants on the wages of U.S.-born workers would be positive.

## PROMOTING CLEANER ENERGY PRODUCTION AND USE

The Hamilton Project has produced a range of policy proposals for spurring clean energy innovation, reducing fossil fuel subsidies, promoting the responsible production of natural gas, and exploring new opportunities for natural gas use in vehicles and as part of our export economy.

"The shift to a clean energy economy won't happen overnight, and it will require tough choices along the way."

### **ELIMINATING FOSSIL FUEL SUBSIDIES** by Joseph E. Aldy

The author proposes twelve tax provisions to subsidize the production of fossil fuels in the United States. Implementing this proposal will contribute to a leveling of the playing field among oil and gas companies, since independent producers enjoy greater tax benefits than the oil majors, and will promote the efficiency in allocating capital across the U.S. economy.

## AN ENERGY TECHNOLOGY CORPORATION WILL IMPROVE THE FEDERAL GOVERNMENT'S EFFORTS TO ACCELERATE ENERGY INNOVATION by John M. Deutch

The author proposes a series of best practices for government support of technology demonstration. A new institution, the Energy Technology Corporation, would be responsible for managing and selecting technology demonstration projects.

## PROMOTING CLEAN ENERGY IN THE AMERICAN POWER SECTOR by Joseph E. Aldy

This proposal would establish a technology-neutral national clean energy standard for the U.S. power sector, lowering carbon dioxide emissions by as much as 60 percent relative to 2005 levels over twenty years.

"...natural gas – if extracted safely, it's the bridge fuel that can power our economy with less of the carbon pollution that causes climate change...Congress can help by putting people to work building fueling stations that shift more cars and trucks from foreign oil to American natural gas."

#### MODERNIZING BONDING REQUIREMENTS FOR NATURAL GAS PRODUCERS by Lucas Davis

The author proposes stronger bonding requirements to help ensure that funds would be available to clean up sites when natural-gas-drilling accidents occur, but more importantly, to incentivize producers to work hard to avoid environmental damages in the first place.

### **LEVELING THE PLAYING FIELD FOR NATURAL GAS IN TRANSPORTATION by Christopher Knittel**

The author presents a pair of policy proposals to improve the natural gas fueling infrastructure in homes, at local distribution companies, and along long-haul trucking routes; and to promote the use of natural gas vehicles and fuels.

## A STRATEGY FOR U.S. NATURAL GAS EXPORTS by Michael Levi

The author poses a framework for assessing liquefied natural gas exports along six dimensions: macroeconomics (including output, jobs, and balance of trade), distributional, oil security, climate change, foreign and trade policy, and local environment.

## **PROMOTING AMERICAN INNOVATION**

"We know that the nation that goes all-in on innovation today will own the global economy tomorrow. This is an edge America cannot surrender."

"...let's pass a patent reform bill that allows our businesses to stay focused on innovation, not costly, needless litigation."

Innovation and new ideas drive our economy forward, generating economic growth, creating jobs, and expanding economic opportunity. The Hamilton Project explores innovative proposals to promote and support the next generation of breakthrough technologies, offering opportunities to advance our future competitiveness and benefit American workers.

# ALIGNING PATENT PRESUMPTIONS WITH THE REALITY OF PATENT REVIEW: A PROPOSAL FOR PATENT REFORM by Douglas Lichtman

In this paper, the author discusses the limitations of the current patent review system and proposes policy reforms that would correct for these issues.

#### **PRIZES FOR TECHNOLOGICAL INNOVATION** by Thomas Kalil

The author proposes increasing the use of Advanced Market Commitments and prizes to stimulate innovation. The proposal focuses on innovation in five different areas: space exploration, African agriculture, vaccines for diseases of the poor, energy and climate change, and learning technologies.

## <u>Investing in the Best and Brightest: Increased Fellowship Support for American Scientists and Engineers</u> by Richard B. Freeman

The author discusses the National Science Foundation (NSF) policy and argues that the current policy gives less of an incentive for students to enter science and engineering courses than in earlier periods.

## A DOZEN ECONOMIC FACTS ABOUT INNOVATION

During the last century, innovation has driven economic growth, increased wages, and improved living standards in the United States—even if it has stagnated in recent years. The Hamilton Project examines the role of innovation in driving the US economy, including its historical importance, the current pace of growth, and opportunities for investments to benefit America's future.

For more information on The Hamilton Project, visit our website at <a href="https://www.hamiltonproject.org">www.hamiltonproject.org</a>. You can also follow us on Twitter (@hamiltonproj) and on Facebook.