

A conversation with Professor Lane Kenworthy on October 8, 2014

Participants

- Lane Kenworthy – Professor of Sociology and Yankelovich Chair in Social Thought, University of California-San Diego
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Note: This set of notes was compiled by the Open Philanthropy Project and gives an overview of the major points made by Professor Kenworthy.

Summary

The Open Philanthropy Project spoke with Professor Kenworthy as part of its investigation of social policy and economic security. Conversation topics included public insurance programs such as universal early childhood education, the uncertain connection between tax rates and economic growth, and promising areas for policy research. The discussion was partly based on Professor Kenworthy's recent book *Social Democratic America*.

Policy priorities: early childhood education and universal healthcare

Professor Kenworthy broadly defines public insurance programs as government policies that mitigate risk by pooling and distributing resources, and in *Social Democratic America* he argues for the expansion of such programs. If he had to pick, Professor Kenworthy would currently prioritize early-childhood education (ECE) and universal healthcare, but he does not think it is vital to sequence public insurance expansion. Other countries have developed more extensive public insurance programs in different orders and with different focuses, so Professor Kenworthy doubts that there is one particular right way to increase the provision of social insurance.

Universal healthcare makes sense to prioritize because it is a basic human need and because approximately 10% of Americans still lack health insurance, while ECE is attractive because it equalizes opportunity by helping disadvantaged children most. Though evidence for the size and duration of ECE's impact is not conclusive, the effects may be large and lasting, and it also facilitates employment by parents. Timothy Bartik's recent book is a helpful assessment of ECE's effectiveness. Professor Kenworthy estimates universal ECE would cost about 1% of gross domestic product – a substantial amount of money.

Approaches to advocacy for public insurance expansion and reform

Social movements to promote policy change

Broad-based social movements have not always been key to getting public insurance programs passed in the United States. Unions have been important in the passage of some

of these programs, but much policy advance has occurred in idiosyncratic ways at particular historical moments when policy change was uniquely achievable – such as the New Deal, President Johnson’s reforms in 1964-65, and the passage of the Affordable Care Act in 2009-10. Building a movement could help promote public insurance policies, but it might not be as important as clarifying the details of a given policy and the evidence supporting those details. Professor Kenworthy has become more convinced over time of the importance of having effective, attractive policy proposals ready for when the opportunity presents itself.

It is unclear what a social movement to promote more expansive and effective public insurance policies would look like. For example, the movement to reduce income inequality has not developed into a clear coalition despite supportive data, media attention, and excitement on the Left. It’s unclear whether a coalition against income inequality would get public insurance policy details right.

In some cases, Professor Kenworthy supports efforts to build a movement around an issue. For example, he noticed the Open Philanthropy Project’s grant to try to draw more attention to the Federal Reserve’s mandate to promote full employment, and he thought that was a useful effort. Monetary policy strikes him as an area where more mass engagement from progressives could be particularly useful.

Research efforts to develop good policy

Policy research currently does not focus enough on clarifying policy details. It too often focuses on responding to current debates.

Gathering thoughtful, well-informed people to answer policy questions does not guarantee production of good policy proposals, but it is more likely to do so than a decentralized approach.

Funding opportunities

The U.S. has room for improvement in public insurance. With a large amount of money, Professor Kenworthy would probably fund a research enterprise addressing hard policy questions about public insurance. He would fund case studies of other countries and some U.S. states (such as California, Vermont, and Massachusetts) to learn about what has and has not worked and how past efforts could be improved upon. California’s public insurance programs include parental leave and sickness insurance, and the state as a whole seems to be increasingly committed to instituting public insurance programs. Oklahoma and Georgia have leading early education programs, although assessment of these is difficult because it requires observation over many years.

Other open questions about these policies include:

- Is it possible to adequately fund public insurance programs at a time when corporations and high-income individuals often find ways to avoid higher taxes?

- To what extent do the policies achieve their goals?

Sustainability of public insurance systems

A pressing question about public insurance is whether the high-tax, high-spend model is sustainable.

Nordic social democracies

The social democracies of northern Europe, which have relatively large public insurance systems, have thrived recently, but during some periods they have struggled economically. In the past two decades Sweden's economy has done well while its governments have reduced taxes. Some observers have concluded from this that lower taxes have been a major component in Sweden's recent success. The details of Sweden's policy changes are more complicated: the government has been reducing spending on some programs, such as unemployment and sickness insurance, but increasing spending in other areas, such as early childhood education.

Overall, Sweden has shifted in a pro-employment direction by adding programs, such as early childhood education, that support families with working parents. This corresponds to a general shift on the political left away from the 1970s goal of a society in which people work as little as possible. Observers also attribute Sweden's success to its homogeneity, small size, and unusually effective government. Accordingly, it remains a somewhat open question how attainable the Swedish model would be in the United States.

Basic income

Professor Kenworthy worries about several aspects of basic income programs (which would assure a minimum unconditional income to all adults):

- The level of employment could drop significantly if the income transfer were substantial (e.g. \$10,000-15,000 per year) rather than relatively small (e.g. \$3,000 per year) for all adults. If this happened, the government might struggle to generate enough revenue to sustain the program.
- If a basic income replaced programs such as Medicare and Medicaid, as some conservatives would like, there would be reason to worry about some people not using the money for basic goods and services they or their children need.
- If basic income became the lone social policy, then all it would take to weaken the entire system would be weakening that single policy. In contrast, having multiple public insurance programs makes weakening the system more difficult. This is especially problematic because a large basic income would be very expensive, and would accordingly be almost sure to attract efforts for cutbacks.

Trends in public insurance for rich countries

As countries become richer, they tend to institute more public insurance programs. These programs are generally established most quickly in places with a strong labor movement and strong social democratic parties. Once in place, the programs are fairly popular, and therefore tend not to be repealed.

Prospects for public insurance in the US

The tendency to establish more public insurance programs is likely to continue as America's wealth increases, but the pace at which these programs could be enacted in the US is made more uncertain by the polarization of the US political system into two ideologically coherent parties. If the Republican party decides to focus on shrinking the government or keeping it from expanding, opportunities to institute social programs may arise only once in a generation. Even if this happens, social policies would still likely increase over time because of the difficulty of removing existing programs.

Democrats might be able to compromise with Republicans to establish new public insurance programs. The outsourcing of public services to the private sector may be a productive area to investigate for compromise opportunities, because public agencies don't always do a better job than private organizations at providing services and Republicans tend to favor privatization. Research on good government could increase citizens' trust in the government, which has been declining since the 1960s at a faster rate in the US than in Europe. Other possible compromises include:

- Ending teacher tenure, expanding charter schools, or expanding school vouchers in exchange for establishing universal ECE.
- Subsidizing children's participation in private childcare centers rather than establishing public childcare centers to provide universal ECE.

The actions of some European center-right parties are an example of how it might be possible to pass public insurance programs with the support of the Republican Party. Moderate coalitions periodically arise that make it possible to enact programs like the Child Tax Credit, Earned Income Tax Credit, and early childhood education.

Professor Kenworthy thinks the US is likely to eventually institute a value-added tax (VAT) because different aspects of it appeal to Republicans and Democrats. Republicans support a VAT relative to other taxes because the tax rate would be the same across income levels, and Democrats favor its capacity to generate more revenue. There are many design challenges involved in developing an optimal VAT.

Taxes and economic growth

We don't have a good understanding of why the economies of rich countries have grown at different rates since the 1970s. With only 20 countries to study, data is limited, and it is difficult to identify reliable predictors of the rate of economic growth. Professor Kenworthy has not seen any convincing empirical evidence that higher tax rates in modern, rich countries slow economic growth, and he believes that the US could raise taxes to fund more

public insurance programs without hurting economic growth. This is unlikely to convince skeptics, however, because economic models of the relationship between taxes and growth often suggest a causal link.

Professor Kenworthy and colleagues Jon Bakija, Peter Lindert, and Jeff Madrick are working on a book about the empirical relationships between the size of government and economic growth. Though this won't resolve the debate, it could contribute to better understanding.

Professor Kenworthy is also skeptical of surveys of economists' views on this topic, because the surveys often poll economists regardless of their area of expertise, so they tend to reflect common beliefs rather than actual expertise.

Political polarization

Although political polarization is a major problem right now, Professor Kenworthy is optimistic that it will not prove destabilizing in the long run because of basic electoral incentives towards centrism. Two-party systems incentivize moderation because each party needs to appeal to a wide range of voters. Also, the growing centralization of power within the Republican and Democratic parties can have a moderating effect by allowing party leaders to pressure extreme members to follow the party line. Professor Kenworthy believes that a slightly less divided US political climate will arise in the next two decades and that the current level of polarization is atypical.

*All Open Philanthropy Project conversations are available at
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