"Creating a Genuine 'Opportunity Society'"
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For much of the past century, American policy has been driven by a broad-based national commitment to expanding economic opportunity and enlarging the circle of those who share in the country's prosperity. There was a widely held understanding that government had an indispensable role in preventing abuses of private economic power and opening the door to economic progress for more Americans.

It began in the Progressive Era, when the federal government first challenged the robber barons, setting limits on the concentration of economic power, and establishing minimum standards to protect industrial workers and consumers.

It came of age in the New Deal, fashioning a new social contract setting forth government's responsibility for the economic well-being of its citizens – helping to create an economic climate in which they could prosper, and providing a safety net in times of adversity.

It flourished in the post-war era exemplified by the GI Bill. Government programs made it possible for millions of veterans to enter the middle class – helping them obtain an education and purchase a home.

It took on new dimensions in the New Frontier and Great Society, seeking to lift up those trapped in a harsh underclass by prejudice and intractable poverty. Civil rights laws removed legal obstacles, and the war on poverty sought to break down economic barriers.

This national commitment to expanding opportunity produced extraordinary results. It transformed America – moving generations of low-wage workers, immigrants, and subsistence farmers into the middle-class, where stable jobs enabled parents to build a better life for their children.

To acknowledge this enormous achievement is not to say that the process worked for everyone. Some groups, especially people of color, faced additional obstacles because prejudice and isolation slowed their progress. It is essential that they too receive the extra support they need to fully overcome these historic hardships. Perhaps the most fundamental of all the lessons we learned along the way on this great journey is that economic expansion and economic justice are not mutually exclusive. And prosperity does not depend on trickle-down economics or survival of the fittest social policy. The pace of economic growth was not slowed by governmental standards requiring that workers be fairly compensated and have a safe work environment – that consumers be protected from dangerous products – and that the affluent contribute, through progressive tax laws, to the creation of a strong safety net.

In fact, the breadth of the prosperity which these standards produced actually stimulated even greater growth. Just as investment in plants and equipment was a sensible economic strategy, so was investment in our people. In the three decades following World War Two, the American economy expanded at an unprecedented rate, and the wealth of workers rose at the same pace as the wealth of corporate presidents and CEOs.

By any objective measure, these policies were an extraordinary success for America. The nation's great wealth was enjoyed more broadly among its people than ever before.

Unfortunately, for reasons we know all too well, the national consensus on policies to expand economic opportunity began to come apart in the 1980s. Divisive social issues contributed to the fragmentation of the progressive coalition that had dominated American politics for most of the century. So large a majority of Americans had moved into the middle class that more and more of them began to feel that government no longer needed to provide a safety net or facilitate upward mobility. They had already arrived at their economic destination.

As a result, Republicans came to a new dominance for much of the last quarter century -- controlling the White House in the 1980s, and both houses of Congress for most of the 1990s, and both branches in recent years. They have tried hard as well to dominate the federal courts. Today's Republicans are very different from those who led their party in earlier years. The Republican Party is now controlled by ideological extremists who reject any meaningful role for government in expanding economic opportunity or preventing the abuses of private economic power. Some of them even openly proclaim that their goal is to "starve the beast" – cut taxes so low that government will not have the resources to play a meaningful role in the economy. These latter day Social Darwinians clearly believe that those who assemble great concentrations of wealth should be unfettered and permitted to dominate the nation's economic life, much as they did in the late 19^{th} century.

Given such developments, it is not surprising that progressives today are being forced to re-fight battles which our predecessors won decades ago. Today's Republicans want to make the tax code the exclusive domain of large corporations and the wealthy, not a means of expanding opportunity for all Americans. They want to repeal the estate tax and end the progressivity of the income tax which have stood as pillars of our tax code for nearly a century.

Now, with control of both Congress and the White House for the first time nearly half a century, Republicans want to tilt the scales against workers and in favor of employers by denying overtime pay, abolishing the 40-hour work week, allowing the minimum wage to whither on the vine, ignoring workplace health and safety rules, and repealing any environmental rules that become inconvenient to the corporate world.

Because of Social Security, generations of working men and women have been able to count on having a financial foundation in retirement and benefits at any age if they became disabled. But today's ideologically extreme Republicans do not believe in the concept of social insurance. So they have made the campaign to privatize Social Security one of their most passionate causes.

They have made the Medicare program a source of even greater profits for pharmaceutical companies and the insurance industry, instead of meeting America's commitment to give a reliable, and affordable prescription drug benefit to senior citizens.

One by one, issue by issue, program by program, the Republican Right has methodically turned away from policies which brought about a century of progress for working Americans. They want to build the 21st century economy on 19th century economic values, as if the last 100 years had not occurred. For them, the law of the jungle is the best economic policy for America – not equal opportunity, not fairness, not the American dream. Their policies will inevitably result in a lesser America, and have already meant a growing gulf between rich and poor.

Between World War II and 1980, the incomes of high, middle and low-income families rose in unison. With the government policies then in place, a rising tide did lift all boats, as President Kennedy once said. But beginning in the 1980's, with Republicans in control of the White House and the Senate, the positive economic climate began to change, and income inequality began to grow. In the last twenty years, the rising tide has sunk many smaller boats. For decades, the philosophy behind the minimum wage and many other progressive economic polices was that no one who works for a living should have to live in poverty. It is shameful that for so many of those in control today, the philosophy is, "Pull up the ladder, now that I'm aboard."

And today, the gulf between rich and poor is the widest it has been in nearly 70 years. The percentage of national income going to the middle class has also shrunk. Since 1980, the average after-tax income of the wealthiest 1% rose by more than 200%, increasing by $567,000 in real dollars. In stark contrast, the average after tax income of middle-income households rose by only 15% during the same period, increasing by just $5,500. And the average after-tax income of the working poor rose by an even smaller percentage, just 9%, growing by a mere $1,100.

In fact, in recent years, 90% of all gains in personal income have gone to the wealthiest 1% of Americans. The number of Americans living in poverty is growing. These disturbing statistics vividly demonstrate that the widespread prosperity which progressive policies helped to create over the past century can easily erode if those policies are abandoned.

By the mid-20th century, the federal government had ensured basic worker rights, and there was a relatively strong correlation between the prosperity of the corporation and the welfare of its workers.

If a company product was in demand, the size of the workforce would grow and workers' wage and benefit demands would more likely be met. But, that correlation no longer exists throughout much of today's economy.

Technology allows companies to increase productivity while reducing their workforce, and outsourcing enables profits to grow by sending American jobs abroad. As we know from current headlines, the Bush Administration is cheering the practice on, although they are not supposed to say so in public.

We have lost more manufacturing jobs in the last three years than in the previous 20 years. Outsourcing has already devastated manufacturing and is now costing jobs in the service sector as well.

The trends that are evident in today's economy demonstrate that a larger role for government is needed if we are to insure that our children enjoy the same widespread economic opportunity which my generation did. When the incomes of the wealthy, the middle class, and the poor are rising together, then the decisions of those who control capital are more likely to benefit the entire workforce. In other words, their self-interest and the public interest are more likely to coincide. As a result, less government involvement is needed to insure that prosperity is broadly shared. However, in a time when most of the income gains are going to the richest 1% of the population, it is clear that the gains of the wealthy few are coming at the expense of everyone else. In such an environment, it becomes particularly important for government to provide a counter-balance to private economic power, and to insure that all segments of society benefit from the prosperity.

Only an active government genuinely committed to the welfare of American workers can ameliorate these highly negative trends. The growth in income inequality we have seen in the last 20 years will be dwarfed by the income gulf we will see in the next 20 years, unless we take necessary actions now. Future generations will be left to ask what became of the once great American middle class.

Progressives cannot continue to play defense in the battle of ideas. The stakes are too high. Nor can we allow ourselves to be cast as mere defenders of the status quo. We must make the debate between our vision of the future versus theirs. In reality, it is the Republican Right which is wedded to the ideas of the distant past, 19th century ideas which America rejected in the early years of the last century. We should portray them for what they are, Neanderthal merchants of outmoded ideas recycled from long ago.

Our vision for the future will certainly include a continuing commitment to the enduring principles that vastly expanded economic opportunity and social justice throughout the 20th century. But, we must go beyond them. Some of the most serious threats to the well-being of families today did not exist in years past, and some of the old problems still go unsolved as well. We need an agenda that has the capability to meet and master the challenges of 21st century life, that reignites the American dream for all people, and not just some, and that convinces people we know the way ahead.

Now is a time to come together and develop a blueprint to make 21st century America a genuine "opportunity society," – one that provides all our families with economic mobility and security.

First, we must create new and meaningful jobs for all Americans. And we must do this by recognizing once again that government – an enlightened government – has an extraordinary responsibility to assist in this task. History has shown that direct public investment in our human capital and our infrastructure can have a substantial role both in generating economic growth and in broadening economic opportunity.

We must find a way to guarantee health care for every American. The current system ignores the medical needs of 44 million of our fellow citizens, and is a major drag on our economy. Every other industrialized nation guarantees it, and so must we.

The greatest squandering of human capital in our nation is in the students who leave school – graduates as well as dropouts – without the education they need to lead productive lives in society. In the long-term, it costs far more to neglect them than it would cost to help these students develop to their full potential.

Publicly funded research and development is essential to both the economy and our quality of life. The revolution in information technology at the end of the last century was spawned by government- sponsored projects. It is clear already that this new century will be the Century of the Life Sciences, with a legion of breakthroughs made possible by research funded by the National Institutes of Health and other federal agencies. Research in areas such as the human genome has not only opened new health care horizons, it is creating substantial new employment opportunities across the country. We must continue to invest in the future.

America is facing an infrastructure crisis. By funding more of those building projects now, we get a double benefit – more efficient facilities and well-paying jobs. For example, every billion dollars invested in highway construction produces 47,500 jobs. That can have a big impact on the economy in a hurry.

It is imperative to provide a stable financial foundation for the federal government if we are to effectively address the pressing economic, educational, and health needs of the people. None of these important government initiatives can be accomplished with inadequate resources. They surely cannot be undertaken on the incredibly shrinking tax base that is the legacy of the Bush Administration. Federal revenues are now at the lowest percentage of gross domestic product since 1950. The tax rates on the top income brackets must be returned to pre-2001 levels, and a new higher bracket – about 45% -- should be created for incomes over one million dollars. In addition, we know that major revenue losses result each year from the exploitation of corporate tax loopholes. Those loopholes must be closed. The changes I am proposing will affect only a small percentage of the wealthiest taxpayers. By restoring greater progressivity to the tax code, we will actually be able to reduce the tax burden on millions of hard-working families with modest incomes, as well as fund the public investments the nation so desperately needs.

Our Republican colleagues will no doubt claim that higher taxes on the wealthy will stifle economic growth. I remember Senator Phil Gramm saying in 1993 that the Clinton tax bill would cause the greatest recession since the Great Depression. His crystal ball was certainly fogged. Under President Clinton, we created 22 million new jobs, and notwithstanding the higher taxes, the rich actually grew richer in the 1990s. The marginal tax rates on high incomes that I would favor would still be far lower than the marginal rates in effect during the most economically productive decades of the last century. Republicans love to quote President Kennedy on cutting taxes, but as I remind them, the top tax bracket on his Inaugural Day was 91 percent.

We should also be prepared to look beyond the taxpayers for new sources of investment in infrastructure. And in this, too, government has an important and productive role.

At least a small portion of the trillions of dollars in pension funds could be invested in public projects. If just five percent of the nation's pension funds were invested, at competitive rates, directly in job-creating and economy-building activities, more than $300 billion in assets could be made available, in a manner consistent with both the security and growth of the pension funds.

Second, we must also assure greater job security for working men and women and their families in this age of rapid global economic change.

Workers today have less job security than most workers had in years past. In this economy with its churning labor market, security comes not through the guarantee of the same job throughout your career, but through the ability to find a new job with at least comparable salary and benefits if you lose your old job.

One of the most disturbing facts about the current jobless recovery is that today's new jobs pay $8,000 less on average than the jobs being lost. Today's workers are working harder for less. We have a serious problem not only with the quantity of available jobs, but with the quality as well.

In the manufacturing sector, as I noted earlier, technology and outsourcing are eliminating an increasing number of well- paid, high-skill jobs. Recently, outsourcing has begun to take away quality jobs in the service sector as well. From computer engineers to financial analysts to radiologists, highly trained workers are seeing more and more of their jobs moving abroad.

When the only jobs disappearing were relatively low-skilled and low-paid, education and job training seemed to offer the solution. Give laid off workers a new skill and they will find better jobs than the ones they lost. Now however, when large numbers of high-skill jobs are disappearing, retraining alone is no longer a sufficient answer.

Education is still the single most important element in obtaining a job with a future, and America needs to put substantially more resources into preparing workers for new careers.

But, we must also address the direct causes of the large scale job loss in recent years. Currently, the corporate income tax subsidizes the installation of new technology to replace workers, but it does far less to encourage companies to upgrade the skills of their existing workforce or to create new jobs. Some loss of jobs due to technology is inevitable. Often however, whether to purchase new equipment or to create new jobs and upgrade existing jobs is a relatively close choice financially. In those cases, we should not make it more attractive to buy new equipment than to create new jobs. We need a new job creation tax credit that provides several years of tax benefits for a company that invests in an expanded workforce. The analogy is to the tax benefit currently available for depreciating new equipment.

Tax incentives for outsourcing in current law are especially disturbing. Companies can fully deduct many costs in moving jobs overseas as business expenses, from the cost of establishing new facilities in a foreign country to the cost of paying the foreign workers. There is no reason to have U.S. taxpayers subsidize business decisions that harm American workers. In many respects, the tax code of today gives an unacceptable preference to corporate dollars earned from foreign operations over dollars earned from domestic operations. The reverse should be true. Corporate tax laws should be modified to increase the cost of exporting jobs and decrease the cost of maintaining jobs in America.

In addition, the impact of a corporation's decision to move domestic jobs overseas should be publicly evaluated. Companies should not be permitted to shift the costs of that decision onto others. Just as we require an environmental impact statement before specific actions are taken by a company, the tax law should require an employment impact statement before a company outsources a substantial number of jobs. The statement should go beyond current proposals requiring prior notice of outsourcing decisions. It should also require a detailed evaluation of the impact on the effected workers and the community. What new employment opportunities are available for these workers? What training will be necessary to make the transition and how long will it take? Would the new jobs that are available provide comparable pay and benefits? What other options are available to the company? How substantial was the financial benefit of outsourcing to the company? Was outsourcing necessary to compete with imported products? Could the work be performed profitably within the United States? Was outsourcing the only way to keep the company in business or was the decision made merely to raise the profit margin? Will the outsourcing enable the company to maintain a greater number of other jobs in the country? How could the community help to preserve the jobs? What is the cost to the community of losing them?

Such an employment impact statement would clearly identify the true costs of the decision to outsource, and compel companies to face up to these concerns. In some cases it could lead companies to reevaluate their decisions and to consider other alternatives.

Outsourcing decisions have far too large a public impact to be made in private without public scrutiny and without adequate time for the community to react.

Third, we must do more to prevent irresponsible corporate behavior and make companies more accountable to both their communities and their workers. In recent years, we have seen a disturbing increase in corporate conduct that focuses exclusively on increasing short-term profits, and ignores the long-term impact on workers, on environment, and on national values. Many thoughtful proposals have been offered to deter corporate misbehavior.

The nation's pension funds can help achieve such a goal. The single largest source of savings in the nation is the $6 trillion held by pension funds that are the deferred wages of working Americans. Half of that amount is controlled by the private sector corporations for which those employees work. In recent years, we have seen too many examples where pension fund managers hired by major corporations operated those trust funds for the benefit of the company to the detriment of the workers. The laws governing supervision of corporate pension funds need to be reformed. It is, after all, the employees' money. Workers deserve a much stronger say, through fund managers of their choice, in how their money is used.

Pension funds -- public and private – now own half of all the publicly-traded corporate shares in America. Traditionally, these fund managers have been passive investors, playing little role in corporate policy-making. In most instances, this passivity has made them silent allies of corporate management.

There is an emerging view, which I share, that pension funds should become much more active investors, providing an independent outside voice in corporate governance. Such a voice in the boardroom could be a major deterrent to corporate misbehavior which is harmful to the overall economy. That role would not be inconsistent with fiduciary duty; it would be protecting the real interest of the people whose funds the fiduciary is managing.

Finally, new and innovative governmental action is also needed to break the cycle of poverty that has trapped so many low-income families for so long. In recent years, poverty has actually been rising again. Three million more people are living in poverty today than in the year 2000. In most of those families, people are working hard for low wages and often in several jobs, but are unable to get ahead. They live from paycheck to paycheck, stretching every dollar. These are the families at the heart of the minimum wage debate. Working 40 hours a week, 52 weeks a year, a mother with two young children earns only $10,700 a year, not enough to rise above the poverty line. It is important for the American people to know these families are there.

They certainly deserve a raise. But they deserve something more – the same economic opportunity that countless other families enjoy – the chance to build a nest-egg – to save some money to help their children get an education, to buy a home of their own, to live a little better in retirement. Studies clearly show that the inability to develop assets is a major factor preventing low-income families from moving up the economic ladder.

Nor is the problem of accumulating savings limited to the poor. Many middle-income families also feel a financial squeeze which leaves them little or nothing for the future. As skewed as income distribution is in this country, it is nothing compared to how unfairly wealth is distributed. The wealthiest 10% of the nation's households own over two-thirds of the nation's wealth. At the other end of the spectrum, fully half the population holds only 3% of the wealth. Unless low and moderate-income families can accumulate at least some wealth, they will never have the same life options that more affluent people have.

It is particularly important to help young people begin to build a nest-egg early in life, so that its value can grow as they mature. This will enable them to take advantage of many of the opportunities that are currently limited to only those from more wealthy families. The fundamental question is how can we afford such an initiative? It's really all a matter of national priorities. Republicans want to permanently eliminate the inheritance tax on multi-millionaires estates. That will deprive the public treasury of $50 billion a year. Is it more important to allow a few thousand heirs of the wealthiest families in America to inherit their millions tax free or to use a portion of the revenue from that tax to enable millions of Americans to build a better life? I believe the answer is obvious. Whether this country should be doing more to give all children a better start in life and all families a greater hope of living the American dream needs no debate.

One of the best forms of asset development is home ownership. It is already more widespread in America, thanks in large part to government programs and policies, than in most other nations. It is a text book example of how progressive government policies can help create widespread economic opportunity. Nevertheless, about a third of all families – and half of minority families – still cannot afford to own their own home. One reason is that the current tax subsidies for home mortgages and property taxes are structured in ways that benefit the more affluent, but does not enable many families with modest incomes to buy a home. Tax deductions offer a far greater subsidy to those in the upper brackets than those in the 10% and 15% brackets, and they offer no benefit at all to those who pay substantial payroll taxes on their wages, but owe no income tax.

We should allow first-time home owners the option of a refundable tax credit for a percentage of their mortgage interest and property taxes as an alternative to the current deduction. To do so will give working families with modest incomes a roughly equivalent tax benefit in a form that is far more usable for them. For families on the financial edge, it could make the difference between home ownership and endless rent, and enable them to build up a lifetime of equity.

The debate is only just beginning, but what happens in the coming months will have a profound impact. People in all 50 states know that too much has gone wrong for too long, and that 2004 is the year to renew and revitalize our commitment to a genuine "opportunity society." Thank you all very much.