Recent decades have continued to witness gains for the American economy—from new ideas, openness to trade, and technological advance. As they have since the Industrial Revolution, these gains reflect the upside of disruption and change. But there are downsides, too. These downsides have transformed our politics in recent years, and the economic disaster that has accompanied the coronavirus pandemic has only magnified them. Yet economists and defenders of markets have too often sought to dismiss these downsides or failed to appreciate their scope and character.

In our political debates, there have been two approaches to the downsides of disruption. Some treat the articulation and celebration of the upside (which is very real, of course) as though it were an answer to the downside. That celebration speaks to the truth of the achievements of modern economics, but it also pretends that the benefits of those achievements are easily available to everyone and that what is lost in the process was of no value. Meanwhile, others call to erect walls against economic change because of its negative consequences. Such walls, in the form of protectionism and regulation, try to hold off the economic forces that have transformed the modern world; they speak to a broadly shared desire for security and stability. Yet the costs of these walls are too rarely considered—and ultimately, the walls themselves are unlikely to hold.

Both of these approaches are forms of denial. One denies that change comes at a painful cost; the other denies that resistance to change does
as well. Missing in the debate between these two sets of arguments is another way of dealing with change—not by ignoring its character or imagining that it can be permanently held off, but by adapting to it with strategies that take the costs involved seriously. If walls cannot protect those harmed by the transformation of the modern economy, bridges can connect them to its benefits and help make otherwise impossible transitions. Policymakers should work to build those bridges.

An emphasis on such connections would do us far more good than either ignoring the cost of economic transformation or denying its benefits. That such a shift in our economic debates is needed is obvious from the startling rise of populism in the United States and other industrial economies in our time. The economic pain we’ve encountered in the Covid-19 pandemic’s wake makes it only more plain. But the underlying challenge runs deeper: To help our society thrive in this century, and to make the most of the benefits of economic dynamism while addressing its costs, we need a revitalized understanding of the purpose of economic policy and social insurance.

THE LONG PATH TO POPULIST FRUSTRATION

The many commentators who focus on 2016 as the *annus horribilis* that brought us a populist revolt are overlooking long-brewing trends. Indeed, Brexit in the United Kingdom, the *gilets jaunes* in France, and Trumpian populism in the United States all came on the heels of an era of opportunities seized and opportunities missed.

Following World War II, the benefits of trade figured prominently in the liberal international economic order. Those benefits have been, and continue to be, massive. In a widely cited study, economists Gary Clyde Hufbauer and Lucy Lu conclude that the combination of trade liberalization and cheaper transportation and communication owing to technological change increased per-household gross domestic product between 1950 and 2016 by about $18,000.

Meanwhile, China’s and India’s entries into the modern global economy in the late 1970s and early 1990s, respectively, greatly expanded trade and sent shocks through factor markets. The signing of the North American Free Trade Agreement in 1992 reduced costs of trade among the United States, Canada, and Mexico. Innovations in technology magnified gains from trade between larger global markets. Reductions in transportation and communication costs brought down distance-related
barriers. These collapses in physical and metaphorical walls were celebrated by leaders across the political spectrum.

But this story of gains is not complete. Global trade intensified competition and challenged America’s industrial dominance. The anemic public-policy response to the resulting job losses and displacement of industry led to simmering mistrust of domestic and global elites in the heartland. It was no coincidence that, in the course of his 1980 campaign for president, Ronald Reagan chose Youngstown, Ohio, the scene of massive job losses due to the shuttering of steel plants in 1977, to sound the theme of Democratic elites forgetting average workers.

Such arguments picked up steam in Republican Patrick Buchanan’s insurgent primary campaign against incumbent President George H. W. Bush in 1992. Railing against disruptive forces of globalization, immigration, and technological change while labeling Bush a “globalist,” Buchanan’s “Make America First Again” campaign slogan stirred the hearts and minds of many workers left behind, plainly presaging Donald Trump’s 2016 playbook. While Buchanan embarrassed Bush by winning 37% of the New Hampshire GOP vote, Bush ultimately prevailed — the constituency wave that Trump would ride to victory was not yet large enough. Ross Perot’s third-party challenge in 1992 also picked up populist themes, but the election came down to Bush and Democratic challenger Bill Clinton — both supportive of the forces of economic liberalization, with Clinton ultimately prevailing.

The 1990s and particularly the 2000s deepened the well of resentment against these forces: Manufacturing job losses due to globalization and technological change mounted, even as service-sector jobs increased. In the 2000s, China’s entry into the World Trade Organization significantly accelerated these losses — a “China shock” in the words of David Autor, David Dorn, and Gordon Hanson.

Those economists found heightened effects of Chinese competition in U.S. local labor markets where industries exposed to foreign competition are located. Adjustment in those labor markets was painful and slow, with wages and labor-force participation rates remaining low after a decade and lifetime incomes for affected workers falling lower.Offsetting employment gains in other industries did not appear in those labor markets.

The China shock illustrates the powerful effects that China’s and India’s entrances into the modern world economy had on global labor
supply and the wages of low- and mid-skilled workers. Time and time again, economic policy failed to build bridges to match skills to new opportunities and to cushion the risks borne by individuals due to forces beyond their control. Conversations at the Council on Foreign Relations, the World Economic Forum, and the Economic Club of New York were very much removed from these risks and concerns; it became increasingly easy (and justified) to scorn them as elitist.

The China shock and dislocations from technological change were magnified politically by the long-lasting character of the disruption, the speed with which it occurred, and the geographic concentration of its effects. The economic shock in particular appears to be connected directly to political outcomes. Autor, Dorn, Hanson, and Kaveh Majlesi demonstrated a pronounced correlation between vote shares for Trump in 2016 across communities and the extent of adverse China trade shocks. In a nutshell, they found that the more significant the job loss in a community due to rising imports from China, the greater the support for Trump. Taking their results literally, the China trade shock was dispositive in Trump’s Electoral College victory; had the 2002-2014 period seen import penetration at half the actual level, Hillary Clinton would have won Michigan, Pennsylvania, and Wisconsin—and become president. Other researchers have found similar links between higher penetration of imports from China and support for Brexit in the United Kingdom and nationalist parties in Europe.

But the effects of such shocks are not limited to economic outcomes. In a series of papers, economist Anne Case and Nobel laureate Angus Deaton revealed an increase in midlife mortality (dominated by alcohol or drug addiction and suicide) among whites since the late 1990s, bucking earlier trends of improvement. They linked the rising rates of morbidity and mortality (“deaths of despair”) to areas with weakening local labor markets, falling labor-force participation rates, and declining marriage rates.

Social dislocations in response to the lack of policy responses to trade and accelerating technological change deepened with the slow recovery from the global financial crisis of 2007-2009. In the United States, the failure to assist homeowners facing painful declines in home prices, as my Columbia Business School colleague Christopher Mayer and I observed, stood in sharp contrast to quick policy action to bail out banks and Wall Street. Increasing public distrust of government
financial policies in this period prompted the addition of “financialization,” alongside globalization and technological change, to the list of targets of the frustrated.

By the 2016 election, the economic kindling was dry; all that was needed was a spark. Elite economic-policy platforms going into that campaign were stuck in a place both familiar and far removed from the untreated economic dislocations many Americans were experiencing. On the right, an emphasis on tax reform to support investment and productivity, coupled with continued support for expanding trade agreements, dominated the conversation. On the left, social insurance did dominate the discussion, but it bore little relation to the employment and wage struggles of those losing out in the process of technological change and globalization, stressing instead greater healthcare subsidies in the Affordable Care Act and higher non-work-related welfare payments.

As with Buchanan’s before him, Trump’s emphasis on immigration and trade, along with his suspicion of the liberal international economic order, fit well with his intended audience—one much larger and more frustrated than it was in 1992. A variety of walls, from occupational-licensing requirements to state benefit programs, hindered the mobility of affected individuals in search of better opportunities. The failure to build bridges to those opportunities undermined public support in many quarters for policies that would advance average growth.

Why did elites—in business, public policy, and economics—do so little in response to these potent dislocations? Why were the dislocations exposed in such stark relief during the 2020 economic shutdown? Two very different answers have bubbled up, with quite different implications for policy.

One explanation blames economic elites—“the rich” or “large corporations”—for diminishing prospects and incomes for many working-class Americans. In this telling, a laissez-faire overreliance on openness and market forces accommodating globalization and technological change has constrained job opportunities and incomes. Furthermore, this abuse of economic leverage—through market power or the political process—has deprived workers of wage gains they should have obtained along with productivity gains.

The claim that compensation has decoupled from productivity is particularly serious, as it would call into question some core assumptions
of mainstream economics. But researchers from Robert Lawrence to Edward Lazear, Michael Strain to Anna Stansbury, Lawrence Summers to Scott Winship, find that compensation and productivity do still rise (or fall) together. A more subtle version of the charge is that while mean compensation has moved together with productivity, median compensation has not. Translated to political terms, those in the middle are left behind.

Yet the median hourly compensation since 1973 has increased by approximately 30%. This is no small improvement, even if the average employee’s compensation has risen much more. It is this point that gestures toward a second explanation, less sinister than the first: Productivity gains have been lower for low- and middle-skilled workers than for the highly skilled. Relative gains for highly skilled workers directly reflect their enhanced gains from trade and technological change. Additionally, economists like John Van Reenen have suggested that underlying economic forces are concentrating highly productive and highly skilled workers in successful “superstar” firms. As a consequence, productivity (and earnings differences) across firms and individuals are widening. Such an explanation suggests that the important question is less whether the rich or large corporations are not compensating average workers fairly than what public policy can do to enhance more workers’ skills to enable them to be more productive now and in the future.

This difference is important. Blaming elites, as with blaming underlying economic forces, is another way of building walls to protect individuals rather than preparing them for or reconnecting them to work and its future. The alternative of building a bridge would focus on that preparation and reconnection.

IS ECONOMICS THE PROBLEM OR THE SOLUTION?

If economic woes lie at the heart of the backlash that has shaped our politics, can Econ 101 point to the policy way out? Many observers now suggest it cannot, particularly because of the disconnect between economists and the real world. In a classic scene in the movie Back to School, Rodney Dangerfield, as an older college student, asks an economics professor in the midst of a boring lecture whether there are any real-world examples of his point. Surprised by the temerity of the question, the professor answers over and over: “It doesn’t matter.”

But it does. Serious economic analysis of both globalization and technological change describes gains on average in terms of a new “steady
state,” wherein the economy adjusts to more open markets or innovation with higher levels of output and consumption. Such changes are **structural**, not merely **cyclical**. But what happens along the path from one steady state to another? Who wins? Who loses? By how much?

Referring to human losers in the economic adjustment process as “transition costs” is hardly helpful. It blinds us to the inadequacies of today’s policy responses and causes us to miss the chance to describe a bridge to future opportunity in disruption’s wake. The nation’s principal social-insurance programs were not designed for a labor market in which structural changes in values of skills dominate cyclical concerns about temporary layoffs. A richer vision of social insurance—one that consists of an economic response to individuals’ absorbing the costs of large risks from disruptions beyond their control—is required.

What might that involve? The answer in our economics textbooks can only get us so far. If one thinks back to the exciting days of a college economics class, the professor probably intoned that such disruption makes us collectively better off, and that ultimately the gainers can compensate the losers. Introductory textbooks prod the professor and the students to remember this point.

But for both globalization and technological change, what would it mean for gainers to compensate losers?

To answer that question, we must begin by asking another—namely, who are the gainers? There are, of course, entrepreneurs who seize the advantages of openness to trade or technological advance and become rich in the process—the names Jeff Bezos, Bill Gates, or the late Sam Walton, for example, evoke images of mountains of money earned in this manner. But their earnings capture only a tiny share of their ingenuity’s value to society. Economics Nobel laureate William Nordhaus estimates that today’s entrepreneurs and innovators capture just 2% of that social value. Less dramatically, but more important still are the gains in incomes, jobs, and consumption from openness. The class of gainers, then, is much broader than we tend to imagine. Building a wall to protect us from that innovation may make a few people less wealthy, but the rest of us would lose 98% of the bounty the first group created.

“Compensation,” however, cannot literally mean a payment from an individual gainer to an individual loser from change—that would simply be another wall. Gains from openness in markets arise in no small part from signals that some activities are now worth more and others
are now worth less. Dynamism and disruption are, of course, two sides of the same coin.

So what does “compensation” mean? For mass prosperity to prevail, broad public support is needed for the dynamism and change that undergird such prosperity. Providing access to opportunity in the dynamic economy is important. Such access is made flesh by preparation (developing skills) and reconnection (re-imagining social insurance to cushion blows while preparation occurs). This re-orientation of public policy requires us to consider at which level of collective action compensation should occur. We can’t require the individual or firm or industry that gains to compensate the losing individual or firm or industry; rather, public policy must sustain the opportunity to compete for dynamism’s upside. That opportunity is the link to mass prosperity’s gains. The importance of that link was apparent before the coronavirus emerged, but it has been further laid bare by the pandemic.

Here, then, is an overarching lesson for economic policy: The greater the emphasis on accessing the benefits of disruption through openness to trade and technological advance, the greater the corresponding emphasis there must be on the Econ 101 admonition that “the gainers compensate the losers.” Rapid globalization in finance, goods, and services since the 1990s left many average workers painfully exposed to disruption at the same time it generated large benefits to the economy as a whole. Just as globalization under the gold standard failed because it had little room to accommodate populist concerns accompanying disruption, so too do today’s globalization and technological change need a safety valve to assist those left behind. Today’s concerns point particularly toward a safety valve for jobs and work. The conditions created by the pandemic shutdown intensify that need.

But a focus on work has led some commentators, like Oren Cass in The Once and Future Worker, to emphasize the ways in which an individual in a modern society is best understood as a producer rather than a consumer. Such an approach casts jobs, not consumption, as the star. Cass and his allies then ask: Why not pay more for domestically produced goods or maintain extra workers even in the presence of technological advance?

Since the dawn of their discipline, economists have understood the goal of the economic system to be optimizing consumption — producing goods and services as cheaply as possible and getting them in
the hands of individuals who want them to improve living conditions. This observation was a central point of Adam Smith’s *Wealth of Nations*. To push the point, work, in the telling of the standard introductory textbook, is just how individuals earn the funds they need to buy goods and services.

If disruption of work lies at the heart of the social concerns driving the populist backlash, have economists and their Econ 101 script just gotten the argument wrong? In a word, no. Smith argued that the case for open markets and trade “is so very manifest, that it . . . could [never] have been called into question had not the interested sophistry of merchants and manufacturers confounded the common sense of mankind.” While one can add some politicians and social commentators to Smith’s list of sophists, his argument against mercantilism rings as true today as it did in 1776.

Work is enormously important, but it is still consumer power that measures improvements in living standards and therefore offers a metric of economic progress over time. To conceive of economic actors most fundamentally through their roles as consumers is not to make an anthropological claim about the nature of the human person, or even to describe any person’s priorities; it is to illuminate the ways in which a thriving economy can improve living standards—and ways in which policymakers can help make that happen. To instead conceive of economic actors most fundamentally through their roles as producers is inherently to make a case for stasis—not for gaining more but for losing less.

The emphasis on individuals as producers points not so much to an argument for protecting jobs as a general matter (which an emphasis on consumption would also do), but for protecting specific jobs. Cass, for example, maintains that stagnation in male earnings and reduced labor-force participation result from the decline in manufacturing jobs in the United States. Putting aside whether manufacturing is principally responsible for the decline in male labor-force participation (some economists, including Winship, argue that evidence does not support this claim), protecting such jobs would mean, again, building a wall against forces that will surely overwhelm it.

For decades economists, following the work of Nobel laureate Simon Kuznets, have concluded that growth shifts economies from agriculture to manufacturing to services. All advanced economies, therefore, are
primarily service-sector economies. Given this reality, the alternative of building a bridge to prepare workers for occupations outside of traditional manufacturing offers a better long-run solution for economic engagement and a better way to think about how to protect those who cannot readily make the change.

That does not mean downplaying the importance of work, or of having a job. But it does mean that viewing individuals in a developed economy first and foremost as producers obscures rather than reveals the ways in which public policy might be helpful to them. Instead of building walls of protection, we need a renewed emphasis on preparing individuals for the economy of today and tomorrow, and providing social insurance for people who fall behind. Addressing the disruptive wake of globalization and technological change requires an economic policy agenda of connection for all individuals to the enhanced possibilities that disruptions bring.

**WHAT CAN BE DONE?**

An emphasis on building bridges toward greater opportunity has a long pedigree in American public policy, stressing prospects for commercial engagement and mass flourishing. The examples are many: canals in the early 19th century; the Homestead Act, the Morrill Act, and the transcontinental railroad later that century; the high-school movement of the early 20th century; the post-war G.I. Bill, emphasis on higher education, and the building of interstate highways in the mid-20th century; large-scale public funding of basic research in the latter half of that century; and so on. These major public investments did not involve protecting incumbent industries or waiting around for markets to solve every problem; rather, they were investments in preparing individuals for and connecting them to opportunity.

*Preparation* for opportunity in modern times requires support for skill acquisition and enhancement of individuals’ working lives. Two areas of emphasis should guide the policy discussion over preparation: skill development and redevelopment using community colleges, and enhanced training and skill development within firms. Public-policy changes can advance both.

Community colleges are the logical workhorses of skill development, and their localized presence in regional economies makes them attractive partners for employers. College completion or
high-quality certification leads to large premiums over the wages of non-college-educated workers. A major boost in funding for community colleges would be the modern equivalent of the 1944 G.I. Bill’s focus on preparation for new skills in the post-war economy. A Covid-bill boost would be useful in jumpstarting labor-market recovery from the pandemic, as was the G.I. Bill after World War II.

While we have heard calls for better public infrastructure during the pandemic, community colleges saw their state-level public support decline in the years before the present crisis. In contrast to the political discussions about free tuition on the demand side, numerous studies demonstrate that the lack of institutional funding on the supply side hurts student performance and completion rates, especially at institutions that serve economically vulnerable students.

Amy Ganz, Austan Goolsbee, Melissa Kearney, and I recently proposed a supply-side program of federal grants to provide new funding to community colleges, contingent on institutional measures of degree-completion rates and labor-market outcomes. Contrary to calls for demand-side support (like free tuition), this idea emphasizes supply-side resources — or funding — for community colleges in their skill-development mission. In the image of Abraham Lincoln’s Morrill land-grant program, our proposal sets support for the ambitious goal of raising community-college completion or transfer rates among college students to 60% by 2030, which would equalize graduation rates across two- and four-year public institutions of higher education. It also proposes increasing the portion of 25-to-64-year-old Americans with a college degree or similar credential from 47% to 65% by that same year — the level projected to meet the economy’s skill needs. Both supports together would cost $22 billion annually over the program’s life, part of which could be offset with funds from other education and training programs or through private support from business partnerships with local community colleges.

Preparation also requires an economy in which the frontier of possibilities continues to advance. Federally funded research and development (R&D) at universities supports basic science and technology, through which innovations in manufacturing, services, and consumer and business applications occur. Firms’ R&D puts greater emphasis on the “D” for near-term profits. A strong public commitment to the “R” would strengthen the economy’s preparation for new possibilities and
change—true for biotechnology and medicine to fight disease, but also for technology more generally.

While individual skill training is important, given the key role on-the-job training plays in labor-market advancement and wage growth, firms have a part to play as well. Firms already have an incentive to maintain a properly skilled workforce, but training can be expensive—and risky. If Firm A invests to improve its workers’ general skills, Firm B may be able to hire those workers away without making the comparable investment. Econ 101 suggests two interventions—a nudge toward local public-private partnerships with community colleges to develop skills for workers in a given region (as Toyota has done in Kentucky and Nucor has done in Alabama), and a tax credit for training to compensate the firm for the spillover from its investment. While such a tax credit has a budget cost, its emphasis on practical on-the-job training gives it a leg up over existing federally supported training programs. Such a credit could be designed similarly to the more familiar R&D tax credit, which applies a credit to expenditures above a base level. To focus support on low- and mid-skilled workers, the credit could cover training only for non-highly-compensated workers using the standard definition in the Internal Revenue Code.

Maintaining a strong commitment to workforce development—for high-skilled and low-skilled workers alike—is a key point in recent discussions of corporate governance by the Business Roundtable, corporate lawyer Martin Lipton, former Delaware Supreme Court Chief Justice Leo Strine, Jr., and others. Dynamism and disruption gains are economically important, of course, but public support for dynamism requires broad worker buy-in. Corporate-governance proposals on workforce investment that firms report to investors are a useful nod in this direction. But there are limits here—firms alone cannot provide insurance against global market forces, skill-based technological change, or the emergence and destruction of job categories. Calls for firms to change corporate governance to protect jobs, however well intentioned, are just calls for walls of another kind—walls that will neither restrain the tides nor advance the wave of mass prosperity.

Reconnection, meanwhile, focuses on individuals whose employment prospects and earnings have been significantly diminished or left behind—the “transition costs,” to use the dehumanizing economic term. Broadly speaking, that reconnection involves social insurance.
Current policy support focuses on job losses from trade through Trade Adjustment Assistance (TAA). TAA was adopted in 1962 at President John Kennedy’s urging as part of the tariff-reducing Trade Expansion Act. As originally conceived, it would provide 65% of an affected worker’s wages for as long as a year, along with education and training support. But the legislation inherited by President Lyndon Johnson after Kennedy’s assassination fell by the wayside as the administration focused on other legislative priorities; in fact, not a single TAA request was approved until 1969. While there are recipients today, support remains anemic.

Though TAA has been too little tried, economists have found strong positive effects of TAA support on the employment prospects of individual affected workers. In an analysis using employer-employee matched data on 300,000 workers from the U.S. Census Bureau, economist Benjamin Hyman finds that, 10 years later, workers with TAA benefits have about $50,000 in higher earnings, cumulatively speaking. These gains reflect both higher labor-force participation and higher earnings while working. Moreover, the sustained gains reflect training, not employment insurance prospects, emphasizing the importance of attachment to work and training to build human capital. TAA’s limits offer an opportunity to consider bolder proposals that reach beyond trade to job losses from structural change more generally and to speeding up labor-market reconnection in the wake of the pandemic’s economic shutdown.

Several key policy steps can help more Americans reconnect to the benefits of the productive economy, especially in a post-pandemic environment. The first involves prioritizing growth itself. Although its significance is easily overstated, expanding the economy remains an essential and primary step toward advancing incomes. If workers are, in fact, paid for productivity, then productivity growth is key. In the 2015 Economic Report of the President, President Barack Obama’s Council of Economic Advisers observed that if productivity had grown from 1973 to 2013 as rapidly as it did from 1948 to 1973, “incomes would have been 58 percent higher...[and] if these gains were distributed proportionately in 2013, then the median household would have had an additional $30,000 in income.” To address slowing productivity growth since 2009, economists have suggested focusing on raising business investment and, again, supporting and disseminating basic research. Proposals here hinge on tax reform to increase investment in and a budgetary commitment to research.
But growth, while necessary, is not sufficient for mass prosperity. Five other sorts of policy ideas could enhance reconnection and broaden political support for open markets and technological advance.

The first idea is to expand individual support for those whose job loss is likely long lasting. While the United States has strong social-insurance programs for the elderly, social insurance against job loss during one’s working years is both modest and designed for an economy where transitions from one job to another are easy and worry free. For individuals likely to encounter a long spell of unemployment, Personal Reemployment Accounts could combine a fund to support income and retraining while the individual is unemployed with a re-employment bonus if a new job is found within a given period. President George W. Bush proposed such accounts in 2003, and studies were conducted to gauge their potential, but the idea never became law. Such schemes recognize that the current emphasis on unemployment insurance and temporary layoffs is out of step with an economy in which far greater transitions and reskilling are needed. Preparing the many millions of workers who have lost their jobs in the pandemic for re-entry will surely require this greater training support.

The second idea, targeted toward older workers, is to consider partial wage insurance to offset some of the difference between wages at an old job and wages at a best-available new job. This change can address the problem of diminished income after re-employment (in contrast to making up part of lost income during a spell of unemployment, as is the case with traditional unemployment insurance). Such an approach would have society bear a social-insurance role in cushioning blows from dynamism when older workers lose the benefits of earlier investments in their own skills without a long horizon to benefit from returns gained by acquiring different skills in the new economy. Together with Personal Reemployment Accounts, this would re-orient American labor-market policy away from temporary income replacement and toward broad support for a return to work. Indeed, these policies could be implemented in the context of a broad policy reform of unemployment insurance, which was designed decades ago in labor markets that vastly differ from those of today and tomorrow.

The third idea would strengthen support for low-wage work generally, keeping individuals engaged in work and receptive to the on-the-job skill enhancement it provides. The Earned Income Tax Credit (EITC)
provides such support, but it does so mainly for families with children. Though the initial EITC of 1975 was modest, its maximum benefits were increased with support from subsequent Democratic and Republican presidents. Only in the 1990s was the credit extended to workers without children at all—a key entry-level work group. Today, 29 states (and the District of Columbia) supplement the federal EITC with additional credits.

A more generous EITC for childless workers and a broader range of income over which the credit is phased out (to reduce the marginal tax rate on extra work) would enhance labor-market attachments. Alternatively, the government could boost labor demand through subsidies to employers, as Nobel laureate Edmund Phelps has suggested. Such ideas have also surfaced as post-pandemic policy responses.

Crucially, work support avoids the pitfalls of job protection while socializing the costs of support (that is, the gainers compensate the losers). Many working-age men with potentially long-term rates of non-employment as a result of structural change are childless. Expanding the EITC by setting the maximum credit for a single childless adult equal to the current level for a single adult with one child and keeping the phase-in rate the same as it is for households with one child would nearly quintuple the average credit for childless workers.

A fourth potential intervention is “place-based aid,” targeting assistance to subsidized employment in areas where rates of long-term non-employment for working-age individuals remain stubbornly high. Economists have traditionally been skeptical of place-based aid (jobs-to-people ideas), instead favoring geographic mobility (people-to-jobs ideas). But declines in the latter, along with pronounced regional differences in employment rates and earnings mobility, have prompted a second look.

The geographical variation in the ravages of the coronavirus pandemic have only intensified this interest. Economists Benjamin Austin, Edward Glaeser, and Lawrence Summers, for example, have argued that policies like the EITC could be tailored to bolster more returns to workers in areas where non-employment is currently high. Such labor-market support, they argue, could be complemented by supply-side investment in local community-college education, as I described earlier.

Fifth, the pandemic and its resulting economic dislocation have accentuated problems in the American health-care system. In response,
changing tax subsidies to health care can make possible universal sup-
port for catastrophic health insurance while using savings arrangements
(for middle-income individuals) or existing public programs (for lower-
icome individuals) to mobilize funds for deductibles and co-payments.
Broader coverage in this way ties health insurance less to particular jobs
while reducing barriers to changing jobs. As economists John Cogan,
Daniel Kessler, and I have shown, heavy demand-side subsidies for health
insurance and supply-side restrictions in health-insurance markets have
inflated firms’ health-care costs, reducing take-home pay for employees.
By decreasing health-care spending, such reforms could actually raise
wages within total compensation.

Recently, some commentators have called for a Universal Basic
Income (UBI) instead of enhanced support for work. The checks sent to
many households during the pandemic have bolstered these calls. An
idea with a pedigree tracing back to Nobel laureate Milton Friedman’s
proposal for a negative income tax to proposals from political candi-
dates ranging from Richard Nixon to Andrew Yang, a UBI has been
touted as a way to simplify transfer payments and even as a road to
Maslovian self-actualization.

But a UBI misses the economic and social aspects of attachment to
work. Just like calls to protect jobs, UBI is yet another kind of policy
wall separating individuals experiencing economic dislocation from
new opportunities to continue participating in the economy. From an
economic perspective, advancement in skills and earnings almost always
builds on the experience and training one gains through work. By failing
to prepare and reconnect individuals for participation in the economy’s
dynamism, a UBI unintentionally creates “insiders” and “outsiders” with
respect to the productive economy. From a social perspective, offering
UBI as a palliative for displaced workers while celebrating opportunities
others can seize may create a dangerous insider/outsider dynamic in
which those who cannot or will not gain from disruption may no longer
support disruption and dynamism.

WHY WE HAVE CHOSEN WALLS

One doesn’t have to be cynical to ask a perfectly reasonable question in
response to this argument: If a bridge and its components, like those just
described, are so sensible, why are they eclipsed in the political debate
by the idea of the wall?
The first reason rests in the language and theater of politics. “Build the wall” rolls off the tongue. It is a catchy slogan sold as a panacea. Easily communicated by political leaders or commentators, a wall promises salvation by keeping bad things out.

The wall offers glib change—empirically unverifiable and packaged as feel-good nationalism. In both Trump’s America and Brexit Britain, the sale of the wall to voters was accompanied by a harking back to a Golden Age—an evocation of older, better times that a wall would help restore. Because the case for a wall plays on such nostalgia, there is less of a burden on those who advocate it to explain how it would improve life.

Bridge-builders, by contrast, must make a more complex—even technical—case for their cause. They are therefore outplayed in the soundbite arena. What’s more, they have the unenviable task of explaining why classical economics is right—which requires them to concede that errors have been made by those who oversee our economic policy even as they stand by the economic ideas that ostensibly undergird that policy. While vendors of the wall inveigh against the world, their opponents must argue and explain, demonstrate complex realities, and then pray that their message gets through.

In truth, the changes driven by broad economic forces—such as technological transformation and globalization—always and understandably bring popular fears with them. People seek comfort, re-assurance, and validation. The wall-mongers’ responses—protectionism, regulation, making sure the winners keep winning—play to a fearful gallery.

Their opponents, meanwhile, have to articulate a multi-faceted and sometimes difficult reality: Change happens. We can work to direct it, but we do not fully control it. We are not, however, simply at its mercy, because we also have a choice about how to respond to it. This is where the case for building bridges has fallen short. Adaptation to change is a key source of growth and prosperity. The buy-in for the economic benefits of change depends on an evident and honest effort to share the costs of change.

Economists too rarely put the point this way. Their paeans to change often sound like simple laissez-faire. Change makes us better off on average, they say. Gainers can compensate the losers.

This isn’t just smug; it’s politically disastrous. Economists can be shrill and condescending in their denunciations of walls, but in doing
so, they make things easier for those who pitch walls to the people. Whether we like it or not, large sections of American society believe a disproportionate burden of the costs of change has fallen on them. They are entirely susceptible to the lure of the wall.

How best to address them? Not by dismissing their legitimate worries and criticisms, but by emphasizing an alternative solution. The alternative to a wall is a bridge. Bridges are about connections and reconections to something desirable that would be hard to reach otherwise. Consider two lands separated by a large lake or river. Many people are in one, while a shift in fortunes has brought relatively more opportunity to the other. Crossing the water individually is hard—for those with a boat, the effort is risky and time-consuming; for those swimming, the journey is harder and less productive still. A bridge connects everyone more easily to the land of opportunity. As long as it is well built, it is also safer in a storm than crossing the water on one’s own. The bridge connects and reconnects.

This reasoning, while largely absent from today’s framing of economic policy, is not unfamiliar in the American experience. From the nation’s earliest days through the 19th century, public policy emphasized taming the frontier for expansion in ways that would have been impossible for an individual to do on his or her own. Lincoln most forcefully embodied this approach with his championing of the Homestead Act, land-grant colleges, and the transcontinental railroad. Government helped make the journey to opportunity easier in an economy disrupted by technological and industrial change.

Then in the 20th century, successful adaptation to economic challenges emphasized social insurance—that is, public support for individuals whose economic prospects are buffeted by large external forces beyond their control. Franklin Roosevelt exemplified this approach, championing wage supports, unemployment insurance, and Social Security. In the midst of the horrendous economic tempest of the Great Depression, Roosevelt’s initiatives offered a bridge to the future that would weather the storm.

The bridge offers a compelling framework for thinking about contemporary American economic policy and political economy. In today’s world, changes brought about over decades by technology and globalization have disrupted livelihoods and communities for many while delivering benefits and monetary rewards for many others. Technological
change and globalization create the need for both connection to the new opportunities they bring and reconnection to the “successful-on-average” economy for those individuals particularly harmed by change. In response to such a challenge, a wall-focused policy agenda brings a shrinking economic pie and increasing political squabbling over its division. A bridge policy agenda insists that everyone has a stake in the economic system, even if changes create winners and losers for a time.

FILLING THE LEADERSHIP VACUUM

Taking on our economic challenges in this way requires leadership along two dimensions. The first comes from leaders—presidential and congressional incumbents and candidates—who must debate alternative ideas for connecting and reconnecting individuals to the economy in the presence of shocks from globalization and technological change. Such connections and reconnections will have budgetary implications, and leaders will need to argue over budget priorities while recognizing the need for effective social insurance.

But America can afford the bridging reforms needed to put its capitalism back on track in the wake of disruption and the pandemic. Trimming social-insurance subsidies for the well off and imposing progressive tax reform to raise average (but not marginal) tax burdens on those individuals is a modest price to pay for buy-in to a largely successful economic system. A carbon tax, desirable on environmental policy grounds, also offers a potential source of revenue.

There is no viable alternative to this general approach. Calling for laissez-faire patience with “gains on average” from structural changes risks a further rise of public cynicism over the modern market economy and capitalism. Calling for a wall of protection will require greater public expenditures and worsen outcomes for everyone. Indeed, the evidence from recent efforts to build such walls is not positive: The vast majority of economists point to evidence of higher prices for Americans ($400 per year for the average U.S. household, according to economist Kimberly Clausing) and many more jobs lost than saved from U.S. tariffs imposed since 2018. They also estimate that such costs are borne disproportionately by the working poor.

The second requirement of leadership in this moment is organizational: It involves pulling together different areas of government. This
coordination is crucial, as bridge proposals cut across policy relating to taxation, the budget process, regulation, education, and more. In Congress, the Joint Economic Committee could serve as a locus of inquiry and proposals. In the administration, a cabinet-level Council on Economic Opportunity and Reconnection could serve this purpose. Of course, presidential leadership is needed first and foremost.

That government action is required does not mean business leaders have no role to play. Public-private partnerships remain critical to supporting education and training as well as policy reforms that will forge connections and reconnections to the productive economy. Such an approach calls to mind past efforts like the Committee for Economic Development’s 1971 “Social Responsibility of Business Corporations” report as much as this year’s more vague “Statement on the Purpose of a Corporation” by the Business Roundtable. Businesses’ support for workers during the pandemic offers hope.

Finally, economists must step forward to explain the virtues of openness to forces of change. Centuries of argument in the discipline are still correct. But rather than simply singing the virtues of laissez-faire, economists also need to rethink policy options for preparation and reconnection.

Bridge policies are more than a set of practical ideas to foster preparation for, and reconnection to, the modern economy for many more people; they represent a shift of mindset for economic policy. While openness to trade and technological change generates large aggregate economic benefits, disruptions from these economic forces should not be treated as immutable features of the market economy—“the economic equivalent of a force of nature, like wind or water,” to use President Clinton’s phrase. The new openness should focus on reducing barriers to trade and innovation that generate large effects and ensuring that the gainers do compensate the losers.

America can do better, and we must. Broad public support for the openness and innovation that has made us rich can be a thin reed to cling to if policies ignore those on the losing side of change. Policy bridges offer flexibility, provide support in shifting economic environments, afford opportunity, and promote economic and social connection, all while respecting individual dignity and personal responsibility. Above all, they recognize that no one should be expected to handle alone the costs of forces beyond his or her own control.
Bridge-building offers the superior alternative to both walls and the wait-and-see approach—if we would only seize it.