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### New Deals

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#### THE **TWO PERCENT** SOLUTION

Fixing America's Problems in  
Ways That Liberals and  
Conservatives Can Love

By Matthew Miller

PublicAffairs. 283 pp. \$ 26

If a political system ever stood in drastic need of a galvanizing, simple idea, it's ours. Each new election cycle drives home in embarrassingly vivid detail how our public life is mired in inanity, as poll-crazed yet timorous candidates vie for ever smaller segments of the electorate with ever tinier symbolic come-ons, be they the "lockbox" mantras of the Democrats or the GOP's crusades against the "death tax."

As the soul-crushing rounds of another presidential primary season lurch into gear, Matthew Miller, a former budget aide to the Clinton White House, has stepped forward with a beguilingly big and simple idea: Devote **2 percent** of America's gross domestic product, that is, some \$ 220 billion, to resolve the country's most urgent social problems. We can, Miller argues, shuffle our budget priorities to produce universal health coverage, stabilize Social Security, revive the dysfunctional system of public education in our inner cities, and ensure a living wage for the nation's working poor.

Even as a meager-looking percentage of GDP, \$ 220 billion is a lot of cash to shake loose from a federal budget now choked with enormous deficits. But Miller cheerfully claims he can: Some of his proposals will render some big-ticket federal expenditures redundant, such as the \$ 25 billion now spent on hospital subsidies to treat the uninsured; others will involve actual sacrifice, such as a 60-cent-a-gallon gasoline tax designed to promote fuel conservation and develop alternative energy sources and the repeal of President Bush's outstanding \$ 70 billion in tax cuts.

For all his financial optimism, though, Miller is also a political pragmatist, well acquainted with the "tyranny of charades" that effectively throttles any fresh thinking about the country's troubles before it has a chance to begin. As a veteran of the first Clinton administration's disastrous dalliance with health care reform, Miller knows that any salable solution to the nation's domestic ills has to be "ideologically androgynous" -- market-friendly enough for conservatives to assent to and inclusive enough for liberals to keep bargaining for.

So to overhaul our costly and unfair delivery system for health care, Miller deliberately sets aside the Canadian single-payer approach -- i.e., one flat fee for health care funded and supplied exclusively by the public sector -- that left-liberal reformers enthusiastically endorse. Miller instead champions a "community rating" model of insurance, which is a market-bred cousin to single-player plans. The federal government would still assess a single flat fee on citizens, but it would not create a freestanding federal bureaucracy of the kind market conservatives love to hate. Yet it wouldn't be the welter of ravenous profiteers that the HMO era of "managed care" has inflicted upon us, either. There would also be market controls: It would not permit, for example, younger and healthier members of the national riskpool to opt out and form the sort of cherry-picked clientele base that private insurers love to go after.

All the other items on Miller's reform agenda follow this same profile: androgynous in their lineage, but ambitious in their reach. Campaign finance reform can be achieved equitably without injuring free-speech prerogatives by disbursing voucher-style "patriot dollars" among American voters, who would then disburse them to the qualified candidates of their choosing -- an idea Miller adopts from Yale law and political science professors Bruce Ackerman and Ian Ayres. A living wage can be obtained for unskilled workers in our burgeoning service sector by padding employer payrolls with generous federal tax subsidies.

But it's in the realm of public education -- a windswept tundra of failed policymaking if ever there was one -- that The **Two Percent** Solution is most ambitious. Miller proposes spending some \$ 30 billion on a program that will automatically raise the salaries of woefully underpaid urban K-12 instructors by **50 percent**, while lavishing another **50 percent** worth of merit raises on the best inner city teachers who might otherwise get siphoned out to affluent suburban districts under a system that continues, absurdly, to draw most of its funding from local property taxes. Six-figure teacher salaries in inner cities, Miller argues, will not merely rectify longstanding wage inequities that leave most teachers more poorly paid than garbage collectors; they will also channel back some of the intelligence, creativity and talent that ambitious young knowledge workers now devote to careers in information technology or high-stakes corporate law. Miller candidly allows that the plan is also a form of insitutional bribery: Dramatic pay hikes are intended to buy off the notoriously sclerotic teachers' unions, and encourage the dismissals of poorly performing instructors and ineffective teachers' aides, while bankrolling a serious set of nationwide voucher trials.

There's a great deal to be said for a plan this bold, especially in the cause of upgrading a system so broken. Any honest liberal has to confess that most students trapped in underfunded urban districts are being cheated out of what are often once-in-a-lifetime opportunities for advancement when they are dispatched to schools employing teachers who are barely trained in their subject areas. And any honest conservative would have to concede that the cheap fixes of national testing, "No Child Left Behind" campaigns, vouchers and charter-school regimes cannot hope to deliver a dysfunctional system out of its doldrums.

Yet in his chapters on the school crisis, Miller also betrays the limitations of his own incorrigible wonkery. For poor urban school performance is not solely a question of finding the right inputs and incentives to plug into the education

system. Rather, as a host of other researchers have argued, it owes a great deal to the deficits in "social capital" in inner-city communities -- the chronic maladies of weak family structure, woefully scarce or geographically mismatched job opportunities that all fall under the wider, and far more depressing, brief of poverty and wage stagnation. Miller repeatedly makes a point of bracketing the egregiously underperforming but well-funded D.C. schools as an aberration, but he never explains why that should be so. Indeed, the D.C. case might instead be seen as a limit case of too many resources devoted to a grotesquely corrupt union and administrative bodies with far too little oversight and accountability in a polity beset with all sorts of other economic woes. (St. Louis, another education basket case, might also be characterized in such a way, and Miller exempts it, too, from his critical discussion.)

At other times, Miller clearly grows a bit too intoxicated by the logic of splitting ideological differences with neat policy finesses. His plan to rescue Social Security from the tidal wave of payouts sure to follow hard on the retirement of the Baby Boomers, for example, rests on adopting a flatter, fairer indexing of benefits to the price inflation, as opposed to the much more volatile (and inequitable) present system weighting benefits to wages. Yet this plan runs into the same political brick wall that other Social Security reforms have: The wildly disproportionate demographic heft of the Boomers -- the very force that jeopardizes Social Security's future -- is also the most potent political obstacle to any plan to reduce social insurance payouts. That effect is compounded, as Miller notes elsewhere, by the gradual shading of our democracy into a gerontocracy, with senior citizens turning out to vote in far greater proportions than those in the youngest demographics do.

Nevertheless, for all its shortcomings, The **Two Percent** Solution is a welcome return to political thinking on a big-canvas agenda. Unlike the vaunted "Third Way" approach to policymaking advanced by the center-right sachems of the Democratic Leadership Council, Miller's plans do not reduce to cynical exercises in triangulation, designed mainly to win and hold on to executive power. Instead, they are intended to include all citizens under the simple idea that the public sector can intelligently do some good in the world.

And therein lies the rub. It's a sadly open question whether actually existing leaders, and voting publics, would rally to activist government, a virtual byword for political heresy ever since Ronald Reagan famously announced that government was "the problem." Having interviewed a slew of officials and politicians who privately endorse his program, Miller is convinced the time is ripe. Armed with some foundation money, he even hired a tandem of GOP and Democratic pollsters to conduct some dry-run focus groups for it, with heartening results that exceeded his own expectations.

But a handful of focus groups is a long way from a national political campaign, and all the remorseless sloganeering, corporate graft and media saturation that go along with it. It's odd that Miller, a management consultant who frequently announces that he's made peace with the market, should overlook the utter lack of incentives for today's political leaders to think any differently. Bill Bradley, who ran for the Democratic nomination on a health care reform plan very much like Miller's in 2000, was an early casualty in the primaries. (Richard Gephardt has since debuted his own universal coverage plan, and seems likely headed for a similar fate.) John McCain grounded his insurgent campaign that year on campaign finance reform; after some early success, he went on to become something of a pariah in his own party. While many engaging and important issues are joined in The **Two Percent** Solution, the country's leadership void remains the 98 **percent** question. \*

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