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# **The Two Percent Solution: Fixing America's Problems In Ways Liberals and Conservatives Can Love**

**By Matthew Miller**

## **Prologue: Here's the Deal**

Suppose I told you that for just two cents on the national dollar we could have a country where everyone had health insurance, every full-time worker earned a living wage, every poor child had a great teacher in a fixed-up school, and politicians spent their time with average Americans because they no longer had to grovel to wealthy donors? Suppose I also said we'd largely be using "conservative" means (like tax subsidies and vouchers) to reach these seemingly "liberal" goals—and that when we were done, government would be smaller than it was when Ronald Reagan was president?

If you're like most people, I'd wager that for two cents on the dollar you'd say this sounds like an intriguing deal. But then suppose I explained that "two cents on the dollar" means two percent of our \$11 trillion national income (gross domestic product, or GDP), which is \$220 billion a year – orders of magnitude beyond the boundaries of Washington debate? If you listen to the "experts" who set the terms of that debate – the politicians, the mainstream press, and the vast associated network of analysts, advocates, and other talking heads – you'd conclude such a plan was impossible. If you listen to common sense, however, finding two cents on the dollar to reach the goals I've mentioned seems almost a snap.

Between our proper intuition that two percent is a small number and the Washington consensus that a \$220 billion shift in national priorities and resources is beyond imagining lies a chasm in which nearly every claimed "solution" from our political leaders – indeed much of public debate itself – turns out to be a hoax. Things don't have to be this way.

The Two Percent Solution will do more than simply reframe the national debate about our collective possibilities; it will help us make dramatic inroads on some of the nation's biggest domestic problems in ways that are broadly acceptable, pragmatic, and just. If this sounds audacious, it has to be, because the price of persisting with today's false fixes will soon be too high. Fewer than ten years remain before the baby boomers' retirement will drain away all the cash and political energy to do anything but cope with their colossal health and pension costs. If you think it's hard now to get a serious discussion going about the 42 million Americans who lack health insurance, the 15

million who dwell in poverty despite living in families headed by full-time workers, or the 10 million poor children whose lives are blighted by dysfunctional schools, then starting in 2010 it will be next to impossible. These problems will take federal cash to help fix – cash that is mistakenly viewed as “unaffordably liberal” under existing terms of debate, but that as a practical matter will be hard to direct to these priorities if we haven’t gotten serious before 76 million boomers start hitting their rocking chairs.

How unserious are we today? Here’s all you need to know: In the last decade our economy has grown by 40 percent, but the problems we’re talking about have gotten worse, and serious talk of addressing them has all but vanished. Our shrinking ambition is depressingly measurable. In 1992, for example, the first President George Bush proposed a plan to insure 30 million of the then 35 million uninsured, and Democrats slammed it as “too little, too late.” Today the outer limit of the current President Bush’s “compassion” is a plan that would insure 6 million of the now 42 million uninsured. Meanwhile, no Democrat who wants to be president today would endorse Richard Nixon’s plans from the early 1970s for universal health coverage and a minimum family income: Nixon’s package is far too “liberal”! Instead, the two parties debate when and how to eliminate the estate tax, the bulk of whose burden falls on the heirs of only three thousand of the nation’s wealthiest families.

What happened to America’s political will to solve the problems facing ordinary people? The short answer is simple. Since 1994, when the Clinton health care plan imploded in a fiasco that cost Democrats control of the Congress, Democrats have been too scared to think big again. Republicans, emboldened by this Democratic timidity, have chosen to push harder for their traditional priorities of cutting taxes and regulations. What’s been lost in the dysfunctional debate of the last decade is a commitment to two long-standing American ideals: equal opportunity and a minimally decent life for citizens of a wealthy nation.

What American politics urgently needs, therefore, is not a new left, but a new center. Domestic debate needs to be re-centered around a handful of fundamental goals on which all of us can agree, whether we call ourselves Republicans, Democrats, or Independents. Yes, there will always be fights over details. But if we first ask, What does equal opportunity and a decent life in America mean, can’t we agree that anyone who works full-time should be able to provide for his or her family? That every citizen should have basic health coverage? That special efforts should be made to make sure that poor children have good schools? And that average citizens should have some way to have their voices heard amid the din of big political money?

My aim in this book is to show that these problems have solutions that are affordable, practical, and within reach – solutions that both liberals and conservatives can embrace. Indeed, both sides will have to join hands to solve them because political power is going to remain closely divided for the foreseeable future. It has been nearly a decade since either party has had a sizable majority in either house of Congress, and no presidential candidate since 1988 has been able to win a majority of the popular vote.

That leaves only two options: Either we tackle these challenges together, or we go on pretending to solve them while letting them fester until they explode down the road.

The case I'll make on how we can get serious is simple:

*We can't solve our biggest problems without money.* It's true that money isn't everything. But for the problems we're talking about it's a lot. We can't buy health insurance without money. We can't lure better college graduates to teach in our toughest schools without money. We can't lift workers out of poverty without money. We can't offset the corrosive influence of big political donors without money.

*We have the money.* Consider two numbers (22 and 20) and one mystery. Federal spending compared to the overall size of the economy is the best measure of the "size" of government. Under Ronald Reagan and the first George Bush, federal spending averaged 22 percent of GDP. Under Bill Clinton, faster growth combined with spending restraint pulled this figure down to 20 percent of GDP. In ways the press and public still haven't appreciated, the budget was balanced (and then unbalanced again) "downward." Yet today, even after historic spending increases for defense and homeland security, and after making provision for a costly new prescription drug benefit under Medicare, George W. Bush wants to hold federal spending at 20 percent of GDP or less in the coming years because, as he puts it, we've "met our needs." If Bush were to choose to run the government at the size his father's budgets routinely proposed, the feds would soon have more than \$200 billion more to spend each year. The mystery, of course, is why we never hear about the fact that, in overall terms, the rest of government is being downsized this dramatically. The upshot: Two cents on the national dollar can get us a long way toward real answers, and can do so through a government as small as the one we were accustomed to under a conservative Republican icon.

*There's a deal to be made.* On health, schools, wages, and more, a series of problem-solving "grand bargains" can be reached that involve the same basic approach. Liberals have to be open to market-friendly approaches to these problems, as opposed to simply expanding traditional government programs. In exchange, conservatives have to be willing to pony up money equal to the size of these problems, rather than offering token sums that let them cynically pretend to have a "plan."

The good news is that such "grand bargains" are entirely possible, and make for the kind of innovative solutions that we need. The bad news is that our two major political parties are organized around ideologies and interest groups that systematically ban the expression of commonsense ideas that blend the best of liberal and conservative thinking. The result is a "solutions gap" in public life, which leaves Americans discouraged, cynical, and tuned out. And why shouldn't we be? How else should we respond when it's clear that *neither party has a political strategy that includes solving our biggest domestic problems? And when it's equally clear that both parties are lying to us about the answers that are possible!*

The way to get past the bipartisan make-believe is to look at our problems in a different way. Our leaders usually ask, “How can I address this, or at least seem to address it, in a way that keeps my interest groups and political donors and ideological allies with me?” This is very different from asking, “What’s the best way to make serious progress on this problem?” – and then figuring out how to get a majority of people to follow you. The policies you pursue after the first question are pre-sold, because a constituency for the pseudo answer already exists. The downside, of course, is that you don’t solve the problem. Needless to say, we’ve been trying it this way for years.

If you look at the problem head-on, however, and ask, “What’s the best way to really solve this?” the solutions tend to be pragmatic blends of ideas from different camps. Some aspects of these fixes will be favored by liberals; others will be favored by conservatives. If we’re serious about results, we have to draw on both. If you don’t like the idea of acknowledging what’s right in the other side’s worldview, I have three words for you: *Get over it*. With the boomers’ retirement closing in, we no longer have the luxury of pretending to be serious about these problems. We actually have to *be* serious.

The boomers’ retirement will bring an unprecedented fiscal collision that forces us to rethink much of what we ask from government and how we pay for it. The sheer size of this challenge will make it hard to take up new causes unless we’ve built them into our vision of American society in advance. In this context, getting serious about the uninsured, the working poor, inner-city schools, and rigged elections isn’t a job for altruists and do-gooders; it’s about self-interest. To get the economic growth we’ll need to pay for all those gray boomers, we can’t afford to leave a huge swath of the country ill-schooled, ill-paid, or just ill – not to mention closed out of the democratic process altogether. Instead, if we’re to sustain America’s greatness, this next decade will have to be one of those rare moments in which real answers trump ideology and political jockeying.

Who am I to make this case? Here’s the two cents so you’ll know the biases I bring. I’m a Democrat who spent several years as a business executive and management consultant before going to Washington on a nonpartisan fellowship in 1991. For a year I worked for the Republican chairman of the Federal Communications Commission, helping modernize old regulations that made no sense. From 1993 to 1995 I served in the White House as a top aide in President Clinton’s budget office, working to slay the big deficits Clinton inherited. After leaving government I worked as a journalist for *The New Republic*, *Time*, and *U.S. News and World Report*, where I spent a great deal of time digging for the facts obscured by political rhetoric. And as a syndicated columnist, radio host, and consultant for the past five years, I’ve tried to develop and promote this “ideologically androgynous” agenda. I’ve written this book out of deep frustration with today’s politics in the hope that it might give voice to others who feel the same way, and offer both an angle of a vision and a concrete agenda that can change the terms of national debate.

I’ve explored these ideas in conversations over the last few years with top officials in both parties; with business, labor, and media leaders; with university and

foundation presidents; and with policy experts of all stripes. You'll hear many of their voices in the pages ahead – from Bush cabinet members to top Democrats, from the superintendents who run our biggest school districts to the editors who run *The Washington Post* and *The New York Times*. You'll also hear from less well known thinkers whose ideas can point us toward progress. In addition, I'll share the views of average citizens from two focus groups and a national poll I commissioned specifically for this book. From these hundreds of conversations, I'm convinced that a new agenda is possible that blends the best of liberal and conservative approaches in ways that can command broad support. All it will take – that is, apart from the usual impossible hurdles confronting any scheme to move national politics – is a little imagination and an open mind.

Here's how we'll proceed. In Part One of the book we'll get clear on the problem: namely, that we're not serious when it comes to addressing our biggest domestic challenges. We'll tease out how and why we've ended up with today's "tyranny of charades," and why time is running out to change course because of the collision ahead when the boomers retire. Part Two then focuses on the Two Percent Solution itself. We'll first step back and lay a little philosophical groundwork by examining the pervasive role of luck in life, and how taking life's "pre-birth lottery" seriously can bring the consensus we need to make progress. We'll then examine the "grand bargains" we need on health care, poor schools, wages, and campaign finance – with the help of many of the officials who'd have to implement them. We'll explore how to sensibly pay for it all, and make sure we can still fix everything else (like Social Security and Medicare) the nation needs to address as well. In the book's final section, we'll look toward a Two Percent Society, examining public opinion, the role of the press, and the ways that the Two Percent mindset can help foster the leadership and the followership we need to turn these ideas into reality.

As I've made the rounds refining these ideas, I've heard a thousand variants of "sounds great, but it'll never happen." The unions will kill it; the politicians won't risk it; business won't buy it; you can't reallocate the money. Given the poverty of today's debate, this skepticism makes perfect sense. But in the broader scheme of things, it's nonsense. Of course getting from here to Two will take work. Compared to what Americans have achieved together before, however, the package this book lays out is literally small change. When a country is just two cents on the dollar away from social justice, there's plenty of grounds for hope.

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