

A New Deal of Their Own

Social policy once helped the young join the middle class. Today, government aid is mainly for the elderly and the poor.

BY PAUL STARR

AMERICA DOES NOT DO WELL BY its young. For years government data and social-science research have demonstrated persistently high levels of poverty and related problems among children. In a UNICEF study last year measuring the well-being of children and adolescents in 21 rich countries, the United States ranked next to last. According to U.S. Census Bureau data, 17 percent of children in 2006 were growing up in families with incomes below the poverty line—just about the same proportion as in the 1970s.

What's less widely appreciated is that the problems afflicting children now extend into young adulthood. For roughly 30 years after World War II, young workers shared in economic growth, but since the 1970s they've lost ground. In 1967, according to research by Andrew Sum and his colleagues at Northeastern University, young men ages 18 to 24 who were employed full-time earned 74 percent as much as men 25 years of age and older, but by 2004, they were making only 52 percent as much. Young workers, especially if they haven't gone to college, are now also less likely to find long-term, stable jobs with health insurance and other fringe benefits; partly for that reason, many are taking longer to start families, as Sheldon Danziger and Cecilia Rouse point out in the introduction to *The Price of Independence*, a new book on the economics of early adulthood. Between 1973 and 2004, median real weekly earnings dropped 27 percent for young men and 9 percent for young women.

The persistent problems affecting children and the deteriorating economic position of young adults stand in contrast to the historic improvement in the well-being

of the elderly during the same period. As late as 1965, 30 percent of the elderly lived in poverty. But in good part due to public policy—particularly the growth of Social Security benefits and the introduction of Medicare and its continued expansion, most recently in prescription-drug benefits—the proportion of seniors in poverty has been cut by two-thirds, dropping to 9.4 percent in 2006.

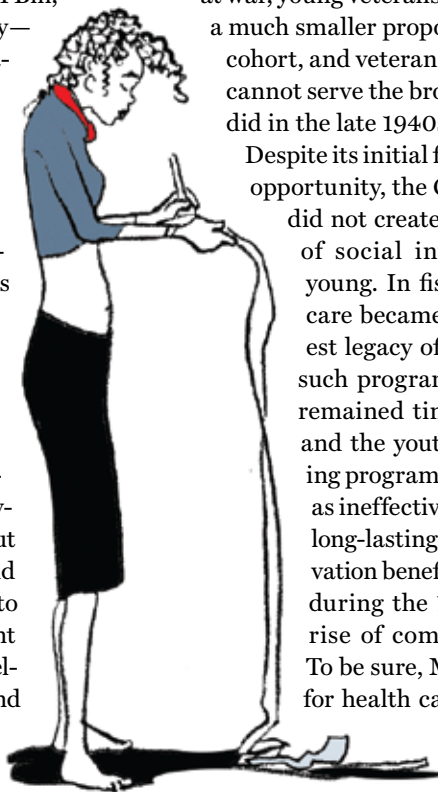
As this contrast suggests, the difficulties facing the young generally—both children and young adults—are the result of long-standing limitations in social policy whose effects have been aggravated by recent changes in the economy and the family. The three great waves of social reform since the 1930s—the New Deal, the post-World War II GI Bill, and the Great Society—failed to establish durable policies in support of the young.

The New Deal did provide some assistance targeted to young adults, such as jobs in the Civilian Conservation Corps and the National Youth Administration and the provisions of Social Security that were originally conceived as aiding widows and their children. The youth employment programs were shut down between 1940 and 1945, however, and Aid to Families with Dependent Children evolved into welfare for single mothers and was cut back sharply in the 1990s. The survi-

vors' benefits in Social Security do represent an important source of support for children at risk of a collapse in their family's living standards. But, particularly in fiscal terms, the greatest legacy of the New Deal is old-age pensions.

The GI Bill, in contrast, was targeted primarily to young adults. Educational assistance, home loans, and health care for veterans after World War II provided a great boost to the generation that came home from the war. And because spending for primary and secondary schools also jumped during the baby boom, social expenditures overall had a strong tilt in favor of the young. By its nature, however, the GI Bill was temporary; even though the United States has since been at war, young veterans have represented a much smaller proportion of their age cohort, and veterans' programs today cannot serve the broad purposes they did in the late 1940s.

Despite its initial focus on economic opportunity, the Great Society also did not create a durable source of social investment in the young. In fiscal terms, Medicare became the single greatest legacy of the 1960s, while such programs as Head Start remained tiny by comparison and the youth-oriented training programs were eliminated as ineffective. If there was one long-lasting educational innovation benefiting young adults during the 1960s, it was the rise of community colleges. To be sure, Medicaid has paid for health care for many children of the poor, but two-thirds



of Medicaid expenditures have actually gone for nursing homes for the elderly.

The result of these developments has been a change in the generational impact of social spending. Instead of the focus on the young in the period after World War II, social spending has shifted increasingly toward seniors. Young workers have also acutely felt the impact of the declining real value of the minimum wage and unemployment benefits. And whereas Social Security and Medicare are entitlements, spending programs targeted to the young have been discretionary and consequently more liable to retrenchment in economic downturns.

Through their payroll taxes young workers help support Social Security

most recent Census Bureau estimates, while 15.8 percent of the overall population is uninsured, 29.3 percent of 18- to 24-year-olds have no coverage, and the rate is almost as high (26.9 percent) among 25- to 34-year-olds. Altogether, adults ages 18 to 34 represent 40.4 percent of the 47 million uninsured.

The reasons for this problem are not obscure. As children, Americans typically receive coverage via their parents, and as adults from their own or their spouse's employer. The peak probability of being uninsured comes around age 23 when many have lost their parents' coverage without gaining their own. And the number of uninsured young adults is going up because the proportion of

rising health costs threaten to tilt expenditures against the young even more in the future.

So how can we reverse the damage to the interests of young adults from the legacies and trends of public policy? Health-care reform is essential for returning social expenditure to its function as social investment. It is crucial on two counts—first, as a method of paying for health care for the young, who are relatively cheap to insure; and second, as a general means of cost containment so as to prevent health care from draining away revenue from other social needs.

Beyond health care, however, the GI Bill may provide the most relevant model. It was the one concerted effort in recent history to focus public resources on expanding opportunity for young adults, and it had a big pay-off in postwar prosperity. The country was willing to support generous benefits for veterans and their families because they had made sacrifices and plainly weren't getting something for nothing. The program was premised on a norm of reciprocity—benefits in exchange for service—though for that very reason, it wasn't universal.

The challenge in creating a durable basis for social investment in the young is to reconcile these two ideals—universality and reciprocity—recognizing that as children become adolescents and then young adults, it's appropriate to premise some benefits on their efforts. An expanded program of college tuition grants in return for volunteer service, whether in the military, AmeriCorps, or other institutions, is a good example of that kind of approach, but far more could be done to develop a system for the young to earn support through national or local service than the relatively modest proposals currently under discussion.

America's young adults are not just passive victims; they can be a force in their own right, and if they have the opportunity to use their energies and talents for the public good, they can contribute to an American revival. After all, it's not just about what the country owes them; nearly half a century after John F. Kennedy, the right question is still what all of us can do for our country. **TAP**

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and Medicare, and they have every right to expect those programs will be there for them when they retire. But, in the meantime, they need a New Deal of their own that addresses their needs for both opportunity and security.

The historic shift in the distribution of expenditures isn't just a matter of the interests of different age groups. Much public spending on the young, particularly in education and health care, represents investment in human capital and provides a return in economic growth with broad benefits for the entire society. But in recent decades, education spending has been virtually flat as a percentage of national income, and though health-care expenditures have grown dramatically, the young have not been the principal beneficiaries. In economic terms, social spending has shifted from investment to consumption.

One notable exception to this pattern has been increased health coverage of children through Medicaid and the State Children's Health Insurance Program adopted in 1997. But young adults are another matter; they are the age group in the United States most likely to go without health insurance. According to the

entry-level jobs providing health insurance is going down.

There is a parallel trend in higher education. Like health-care costs, college tuition has been rising far more rapidly than overall inflation, and a failure to bring public policy into line has left young adults to bear the burden. For example, the maximum Pell grant, which covered nearly three-quarters of tuition costs at a four-year college in the early 1970s, now covers only one-third (and only about one in five recipients receives the maximum). At the state level, tuition at public institutions has risen sharply partly because other services, notably health care and prisons, have claimed a growing share of state budgets. (Prison construction is also a form of spending targeted primarily to young adults—but with dramatically different implications for economic growth and social mobility from the schools and college campuses that states were building in the 1950s and 1960s.)

What is especially disturbing about these trends in public spending is that no built-in dynamic is going to restore social investment in the young. On the contrary, the aging of the population and