

NEW RULES FOR THE 21ST CENTURY:



Corporate Power, Public Power, and the Future of the American Economy

Today's challenges can feel overwhelming. Despite more work hours and headline economic growth, wages are persistently low. Wealth inequality threatens our shared economic prosperity and our democracy. The basic building blocks of a safe and secure life, such as quality education and accessible health care, are increasingly out of reach. Climate change is destroying the health of our planet, and it's set to imperil the economy—and our lives. Progress made toward economic inclusion in the wake of the civil rights and women's rights era has been held back, while overt racism is gaining momentum in our public discourse. Our democracy is in peril like never before.

But a shift in American politics, built on a shift in our economic thinking, can provide real solutions. The 2016 election—and the rise of powerful movements over the past decade—has shown us that Americans are calling for change. They want a diagnosis of our economy to help make sense of what's gone wrong and to suggest ways to make things better. In *New Rules for the 21st Century*, authors Nell Abernathy, Darrick Hamilton, and Julie Margetta Morgan argue that the future of the American economy and our democracy depend on a new way of thinking about markets and a new way of thinking about the role of government. With a renewed commitment to transforming corporations, restructuring markets, reviving democratic institutions, and reimagining the role of government, we can respond to our current political moment. Let's restructure our economy to make both the private and public sectors better serve more Americans.

Today's Challenges Share Common Roots

The challenges we face may seem disparate, but they share common roots. **The problem is an approach to policymaking based on the flawed belief that markets are the only efficient way to achieve public goals.** This has dominated our politics for the past 50 years.

Policymakers cut regulations and taxes, which increased the power of corporations to grow by extracting wealth from workers, small businesses, and communities. Corporations got their wealth through rent-seeking rather than productive investments. As their power grew, these corporations used it to further write the rules of the economy in their favor. They not only rewrote the rules to shape and structure the private sector, but they also reshaped the public sector to serve their interests. Modern policymaking tends to rely on approaches that serve private interests, through subsidies, tax credits, and contracting. So, even government intervention in markets was “marketized.” Ultimately, we handed our government over to markets and handed our markets over to corporations.

The results we see today are clear: Large corporations and the very wealthy hold concentrated economic and political power. They have also captured government power in ways that have exacerbated inequality and made government ineffective—or worse. Despite its promises, this markets-first approach has resulted in anemic economic growth, stagnating wages, pervasive entrenched inequality for women and people of color, increasing markups, and a captured government. This stands in the way of a healthy economy, an inclusive democracy, and a robust, thriving society. We can—and must—do better by writing new rules for the 21st century.



The Solution? New Rules To Restore All the Tools in Our Policy Toolkit

We are a prosperous nation. We can meet Americans' basic needs. We can tackle our biggest national challenges. To build a strong, inclusive economy and restore trust in American institutions, we must restore all the tools in our policy toolkit:

- Rethink the markets-first approach in favor of a pragmatic assessment: when and how to deploy the power of government to directly provide goods and services and tackle the challenges our nation faces;
- Restructure the economy by writing new rules that strike at the heart of today's concentrations of wealth and power; and
- Reform our political institutions, so we can make both the private sector and the government work for all of us again.

We must reimagine the role of the government. When we need to solve big problems or meet Americans' fundamental needs, policymakers from across the political spectrum must reject the instinct to engage in narrow tweaks to markets. For decades, we have hoped that markets alone can meet our basic needs, so our policies have minimized market disruptions. But this has entrenched extractive power and maximized profits without yielding results. Instead, we should increase government's role in more robust ways, under a broader set of circumstances, and with new assumptions and new defaults. What we know:

- **In order to build an inclusive economy, the government can and should provide some goods and services directly**—especially when universal access, fair pricing, and more equitable outcomes are a priority. In industry after industry, market subsidies have failed to deliver. We have sometimes traded short-term improvements for consolidations of power that have made our economic and political challenges worse. Substantial bodies of evidence tell us that government directly providing goods and services **like education and health care** is a more effective way to meet Americans' basic needs.
- **We can and should utilize direct government investment, rather than relying on markets alone, to meet transformational economic and national goals.** Robust government involvement is necessary when our public goals have long time horizons, involve structural changes to the economy and society, have hard-to-measure outcomes, or require economy-wide coordination to achieve. Addressing our changing climate, for example, requires the government to coordinate and deploy resources at a scale that no market-based interventions ever could.
- **We must imagine a new approach to government finance.** The US government is not a household or business, and it does not have to manage its budget like one. Certain investments in our country can and should be funded by debt. The public sector has some unique advantages in borrowing and repaying debt, which it should use for the broader social good. And tax policy can be deployed much more expansively—and in ways that have desirable outcomes, most notably by preventing concentrations of power and wealth—to finance public programs that have ongoing costs.



We need markets to do what they do well. This requires rewriting the rules that structure markets and corporations to make them work better. The private sector can work better for all of us. If we want to restore the role of the private sector as a major driver of innovation and prosperity, we must break the cycle of using wealth to build political power and using political power to build wealth. We can do this by:

- **Reshaping government and curbing outsized power through higher taxes on the wealthy and corporations.** We can raise the statutory rate on corporations, modernize the corporate tax code to serve the global economy, raise effective rates on capital income, and substantially increase wealth and inheritance taxes.
- **Making corporations better reflect the interests of all stakeholders.** We can curb or ban stock buybacks, expand corporate boards' legal duties so that they extend beyond shareholders, and give workers and other stakeholders seats on corporate boards.
- **Preventing powerful firms from dominating the economy.** We can strengthen antitrust laws and antitrust enforcement to protect workers, small businesses, and communities from anticompetitive harms.
- **Building a finance system that works for ordinary people.** We can strengthen oversight of large financial institutions, regulate the financial activities of hedge funds and private equity, and create a public banking option that sets a floor and creates incentives for the private sector to compete.
- **Increasing worker power in markets and politics.** We can make it easier for all workers in all sectors to join or form a union, expand the right to strike, and expand the ability of all workers to bargaining collectively.

To achieve this, our political institutions will matter. We must strengthen existing democratic institutions. And where necessary, we should build new democratic institutions. The goal is to rebalance and deploy government power in new, inclusive, and transformative ways. We cannot meet today's economic and political challenges unless we ensure that our political and policymaking institutions serve the public. This includes more traditional approaches to create a more responsive government, by curbing the influence of money in politics and policymaking, expanding voting rights, and establishing public funding for elections. It also includes reshaping political institutions in new ways, by granting voting rights and representation to a range of Americans and reforming the judiciary to make courts more representative and more responsive to an inclusive democratic will.

This New Progressive Approach Is What's Needed to Meet Our Economic and Political Moment

Over the last four years, this structural argument about remaking American institutions in the public good has been ascendant, but it is far from victorious. Reining in extractive corporate power. Deploying government power in new and expansive ways. Both are needed to build an inclusive economy and meet our country's pressing needs. Progressives who are willing to punch back at 50 years of distorted policy choices have empirics, morality, and the American people on their side.

