

Universal Insurance: Providing Economic Security to Expand Economic Opportunity

Jacob S. Hacker

Jacob S. Hacker is Peter Strauss Family Associate Professor of Political Science, Yale University, New Haven, Connecticut.

Part I: Growing Economic Insecurity for American Families

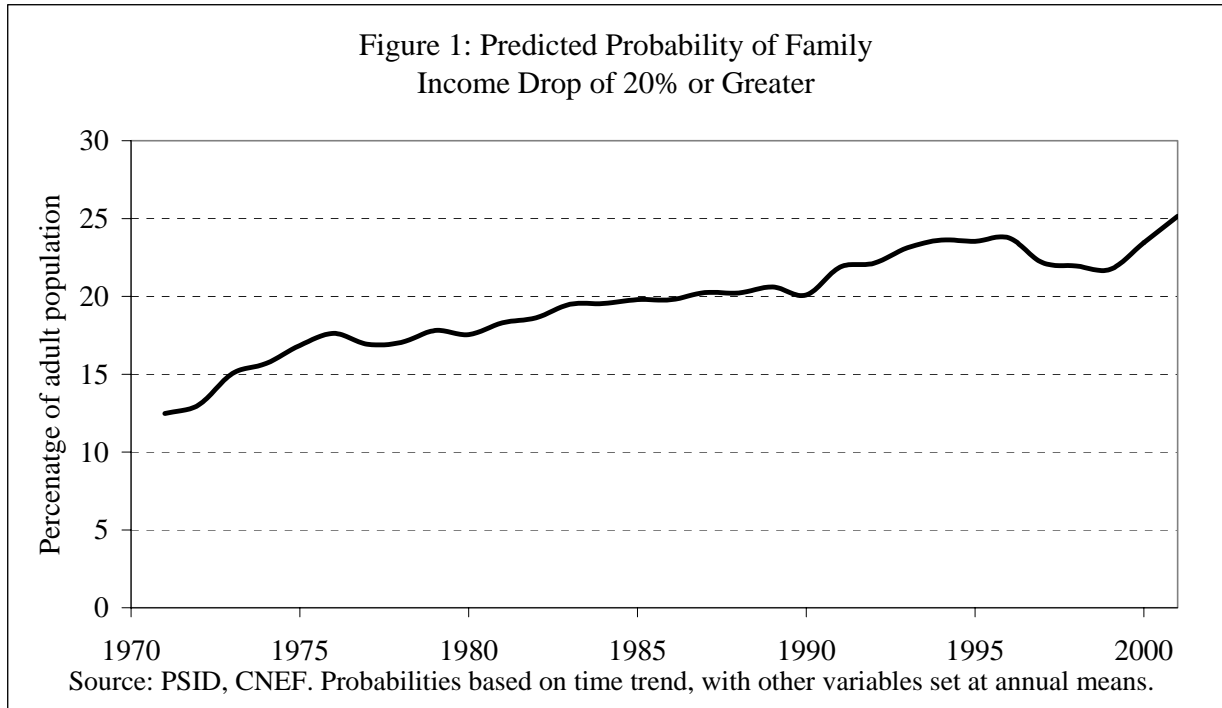
Over the past generation, the economic risks faced by American families have increased dramatically (Hacker 2004). Yet public programs have largely failed to adapt to these new and newly intensified risks, and private workplace benefits have substantially eroded. As a result, Americans increasingly find themselves on an economic tightrope, without an adequate safety net if they lose their footing. This tightrope does not simply create anxiety about the future and hardship when families lose their fragile balance. It also threatens economic opportunity by making it harder for families to feel sufficiently secure to make the risky investments—in education, housing, retirement savings, and the like—to prosper in a highly dynamic and uncertain economy.

Rising Family Income Volatility

Perhaps the most telling evidence of increased economic insecurity is the growing *volatility* of family incomes. Along with Nigar Nargis of the University of Dhaka, I have examined the variability of family incomes using the Panel Study of Income Dynamics (PSID), a dataset managed by the University of Michigan that has been tracking a nationally representative group of households since the late 1960s. The PSID data is valuable because most government statistics—such as the unemployment rate, the poverty level, and the distribution of annual income—are “snapshots” that tell us what people are experiencing at a given time, rather than “moving pictures” that reveal what happens to people over a period of several years (Pierson 2004). Because the PSID tracks families over time, it allows us to gain a true dynamic portrait of the up and down trajectory of Americans on the economic ladder over the course of their lives.

What this picture shows is that families are not merely pulling apart economically—as the well-documented rise in inequality shows. They are also experiencing greater income instability *over time*. Since the early 1970s, family incomes in the United States have become roughly twice as volatile. Volatility is higher for women than for men, higher for blacks and Hispanics than for whites, and higher for less educated Americans than for more educated Americans. (In all these estimates, family income is adjusted for family size and then distributed equally to adult family members.) Yet volatility has risen across all these groups and, indeed, has risen virtually as quickly among the educated as among the less educated. It has also risen faster than economic inequality over the past generation.

When it come to economic insecurity, the downsides of the up-and-down movement of family income are the major concern. About half of all families in the PSID experience a drop in real income over a two-year period, and the number has remained fairly steady. Yet the median drop—larger than half of drops and smaller than half—has risen from a low of around 25 percent in the 1970s to more than 40 percent. To track the trend more precisely, Professor Nargis and I estimated the probability of families experiencing at least a 20 percent drop in family income, holding demographic factors constant. As Figure 1 shows, the predicted probability of a 20 percent or greater income drop among families with average income and educational levels was just over 12 percent at the beginning of the 1970s. By the early 2000s, it had more than doubled to 25 percent.



Other Evidence of Increased Insecurity

Rising income volatility is not the only evidence of increased economic insecurity. Personal bankruptcy rates have risen fivefold in the last quarter century. The mortgage foreclosure rate has increased threefold since the early 1980s (and *ninefold* since the early 1950s). Rates of job loss are up (Farber 2005), job tenure for men and older workers is down, and skills seem to obsolesce with a speed that defies recent memory. Meanwhile, employers have shifted from so-called defined-benefit pensions that promise a fixed payment in retirement toward “defined-contribution” pensions, like 401(k) plans, that greatly increase the degree of risk and responsibility placed on individual workers in retirement planning.

For more than a decade, moreover, the number and share of Americans without health insurance have risen with little interruption. Over a two-year period, roughly one in three nonelderly Americans go without coverage at some point (FamiliesUSA 2003).

Yet not only the uninsured are at financial risk. In 2004, more than 14 million nonelderly Americans paid more than 25 percent of their earnings on out-of-pocket medical costs and health premiums; 10 million of them were *insured* (FamiliesUSA 2004). Medical costs and crises are a factor in nearly half of all personal bankruptcies in the United States, and 80 percent of families bankrupt for medical reasons have health insurance (Himmelstein et al. 2005). Perhaps not surprisingly, poll after poll shows that large majorities of Americans today are pessimistic about the economy and concerned that economic security is slipping away (Hacker and Teixeira 2005; Newport 2005).

Job and Family Insecurity

One probable reason for greater volatility of incomes is that the nature of unemployment has changed. Traditionally, workers were laid off or lost jobs when the economy soured, but were able to return to work at a similar job in the same industry, and sometimes even with the same employer, when the economy improved. Today, however, job loss is increasingly likely to be persistent. Workers are less often able to return to a similar job in a similar industry, and so unemployment frequently ends only when workers accept that a new job that requires major cuts in pay, hours, or both.

This trend shows up in a number of places. Although the unemployment rate has remained historically low in recent years, this is partly because fewer working-age Americans are actively seeking employment—perhaps as many as five million compared with similar points in the business cycle in the past (Bradbury 2005). Meanwhile, the rate of involuntary job loss (defined as “worker terminations as a result of business decisions unrelated to the performance of the particular employee” (Farber 2005, 13)) has actually

been rising. In the 2001 recession, the rate of involuntary job loss exceeded the levels reached during the deep downturn of the early 1980s. The last two recessions of 1990-91 and 2001 have also featured historically high levels of unemployment that exceeds six months. Traditionally, long-term unemployment has peaked six to eight months after a recession ends. In the recession of the early 1990s, however, long-term unemployment peaked 19 months into the recovery. After the 2001 recession, long-term unemployment peaked 29 months in (Schreft and Singh 2003). More than a third of workers involuntarily displaced between 2001 and 2004 (notably, a period of economic recovery) failed to find employment, and 13 percent found only part-time work. And even full-time workers who found full-time jobs—the best-case scenario, if you will—ended up earning around 17 percent less than they would have had they not been displaced (Farber 2005).

Another likely contributor to the increasing volatility of household incomes is the rise in female labor force participation and two-earner families (Warren and Tyagi 2003). Between 1970 and 2000, in part because stagnating male earnings made a second earner necessary to maintain a middle-class standard of living, the share of couples with relatively equal workforce attachment (each spouse working 40 to 60 percent of total couple work weeks) more than doubled, from 30 percent to 62 percent (Cancian and Reed 2004). Two-earner families are generally seen as a form of private risk-sharing, because single-earner households are more vulnerable to a complete lapse of income than two-earner households (Dynarski and Gruber 1997). But while the drop in family income that occurs when one parent in a two-earner family loses a job or stops working is smaller, it is still a severe occurrence—and a more likely one. Moreover, women tend to move in and out of the workforce more frequently than men and to work in part-time or

contingent positions with limited benefits, both of which may increase income volatility. And the distinctive strains of raising children when both parents work creates the possibility for additional disruptions in income that one-earner families do not face.

Universal Insurance in Brief

In response to these worrisome trends, I propose and outline a program of Universal Insurance, a new stop-loss system of social insurance that would cover a significant share of the losses when families are hit with serious economic shocks. Like Social Security and other social insurance programs, Universal Insurance requires contributions up front through a payroll deduction system. In turn, Universal Insurance pays out benefits relatively automatically in cases of unemployment, disability, illness, catastrophic health costs, and the death of a family breadwinner. These benefits are paid without requiring that recipients be destitute, and they are available to all but the very wealthiest (families with incomes or net worth in the top 5 percentiles). Yet, although most families could claim benefits, the share of income replaced by the program is considerably more generous for lower-income families than for higher-income families.

In insuring catastrophic income risks, Universal Insurance fulfills two overarching goals. First, and most obviously, it *enhances economic security*. Universal Insurance protects Americans and their families against large income drops that cripple their finances. It also protects Americans and their families against the psychological dislocations associated with large drops in standards of living—from the blows to mental health caused by job loss to the tensions on families created by downward mobility. And it does so through the popular and successful method of inclusive social insurance,

pooling risks broadly across the population, requiring that all families participate, and providing some benefits to virtually all Americans who experience large income shocks or catastrophic medical costs. Universal Insurance is an economic security program. It keeps families from falling into poverty, rather than requiring that they show proof of impoverishment to receive assistance.

Second, and equally important, Universal Insurance *provides security to expand opportunity*. Social insurance is usually thought of as a means of protecting the hapless and the unfortunate. But a broad program providing basic economic security is also necessary to ensure economic *opportunity* in an economy marked by great risks as well as great rewards. Today, investing in workplace skills, good education, strong families, and basic financial assets is ever more crucial. Yet it is also ever more risky. And this risk makes these vital investments all the harder for financially strapped families to make. When a sudden drop in income or rise in expenses gravely threatens family budgets, planning for and investing in the future become a formidable challenge. Well-designed insurance can change that. By providing a foundation of security, it can encourage enhanced education and training, new career paths, strong families, and all the other investments that allow families to get ahead. It can help make opportunity and mobility—the twin ideals of the American Dream—a reality for all.

The next section of this paper lays out the structure and operation of Universal Insurance in greater detail. It then goes on to describe its benefits to American families and the economy, estimate its costs, address some possible concerns, compare Universal Insurance to other leading ideas, and explain why it is not just a desirable policy but also one that, properly presented, Americans are likely to embrace.

Part II: The Design and Rationale of Universal Insurance

In essence, Universal Insurance is simple. All workers and their families are automatically enrolled through their place of employment, paying premiums in the form of a small payroll contribution. In return for their premiums, workers receive coverage for four large shocks to family labor income that are serious, largely beyond individual control, and only incompletely protected against by present policies: (1) unemployment, (2) temporary disability, (3) temporary unemployment due to illness or maternity, and (4) the death of a family earner. In addition, Universal Insurance provides coverage against catastrophic health costs—a leading source of economic strain. This coverage applies to all families whose income after the adverse event is below a relatively high threshold, and it is available to families that have assets as well as to the wealth-poor (although families with extensive assets are not covered). Although nearly all families are protected, Universal Insurance is especially generous for lower-income families, who are most likely to experience large financial shocks and most in need of help when they do.

Universal Insurance is therefore *universal* in two senses. First, it covers every citizen with any direct or family tie to the labor force, providing at least some benefits to virtually all families that experience the risks that it insures. Second, Universal Insurance covers a wide range of risks to family income, and could be expanded over time to cover additional risks or to provide more generous protection against those it covers. The philosophy of Universal Insurance is that Americans should have protection against the major threats to their economic well-being, regardless of whether those threats fit neatly

into existing program categories. Universal Insurance is not a health or disability or unemployment program. It is an income security program.

Administration

A federal entitlement, Universal Insurance is administered primarily by the Internal Revenue Service (IRS), which is responsible for assessing income, authorizing checks, and ensuring from tax filings that workers actually qualified for benefits they received (much as is now done with the Advance Earned Income Tax Credit). The IRS works in cooperation with the Department of Health and Human Service and the U.S. Department of Labor, as well as with state governments. State governments are required to maintain existing programs that provide benefits in areas that Universal Insurance covers. (The role of state programs is discussed in more detail later in this proposal.)

Some of the administration of Universal Insurance is, in turn, contracted out to the private sector. Although the involvement of commercial insurers and private service providers will initially be limited to administration and verification, the program provides scope for experimentation with private risk bearing. Nonetheless, the federal government necessarily plays the core role in pooling risk, requiring participation, and regulating the system. The evolving structure of Universal Insurance is governed by a semi-independent body of long-term appointees charged with adapting the program over time, based on the guidance of an expert commission.

Eligibility and Benefits

Universal Insurance insures all legal U.S. residents and their families with direct or family ties to the workforce. It requires at least four quarters of employment before receiving benefits for the first time. In addition, in order to qualify for benefits at the time of application, workers must have minimum earnings equivalent to 20 hours of work at the minimum wage in at least two of the last four quarters, *or* the same level of earnings for all three months of the most recent quarter (this framework is based on Graetz and Mashaw 1999). Premiums are 1 percent of wage income, divided equally between employee and employer. When two members of the family work and contribute, they are, in effect, purchasing coverage for their combined incomes.

To the fullest extent possible, triggering events create automatic coverage, with minimal requirements on families before they begin receiving compensation. For instance, employers must report their termination of workers to state and federal authorities, which then contact employees to arrange appropriate coverage. Similarly, hospitals, doctors, and health insurers are required to provide information about filing for Universal Insurance to families struck with illness. And state unemployment and workers' compensation programs and the federal disability program assist in reaching out to the unemployed and temporarily disabled..

Still, families must sometimes file for help themselves. Because Universal Insurance covers a wide range of risks, people will likely be aware of and file for help. Moreover, because the program is universal, wage-related, contributory, and structured like private insurance, little stigma is likely to accompany applications. Families will be able to apply online, at their local post office, or through companies that have contracted

with the government to handle applications. Families need only show that they have experienced the requisite triggering event. Universal Insurance then compares this self-reported information with tax and wage records to determine benefits.

To be sure, advance estimates of income loss are imprecise, and thus all beneficiaries of Universal Insurance must file tax returns at the end of years for which they receive benefits (as with the Advance EITC). If projected losses depart from actual losses, the IRS collects the difference, preferably in the form of additional withholding, the following year. For all beneficiaries who are not currently employed, Universal Insurance benefits are provided in the form of monthly checks. Employed beneficiaries can opt to receive their benefits as supplements to their paychecks, as is done with the Advance EITC. Universal Insurance benefits are taxable as income.

Structure of Benefits

Universal Insurance mimics private insurance in its basic features: a premium (in this case, related to wages), a coinsurance rate that varies with family income, and a deductible (that is, a threshold expenditure or drop in income that must be reached to trigger compensation). As shown in Table 1, the deductible is 20 percent of income—that is, costs or losses must be at least this large to trigger compensation. In the case of income losses, this means that family income must fall, or be estimated to fall, by at least 20 percent relative to the prior year. Once this threshold is reached, additional losses are covered on a sliding scale—from 25 percent coinsurance (75 percent replacement of income) for losses that affect families that, before the loss, are below the 25th percentile of national family income to 75 percent coinsurance (25 percent replacement) for losses

that affect families that, before the loss, are between the 75th and 95th percentile of family income. Families with income above the 95th percentile, or with wealth that places them above the 95th percentile of household wealth, are not covered. (To ensure that middle-income families in areas with high property costs are not ineligible for coverage, wealth levels—both the 95th percentile standard and individual families’ holdings—are calculated with owner-occupied homes excluded.) The coinsurance rate for median-income families is 50 percent.

	Family Pays	Universal Insurance Pays
Initial 20 percent drop	100%	0%
Remaining loss for....		
families between 95th & 75th percentiles	75%	25%
families from 75th percentile to median	75-50% sliding scale	25%-50%
families from median to 25th percentile	50%-25% sliding scale	50%-75%
for families below 25th percentile	25%	75%

Crucially, the determination of benefits is based on family income *after* other public programs are taken into account. In other words, Universal Insurance applies only if existing public policies do not adequately protect family incomes. Because Universal Insurance is an income-protection program, it does not take into account in-kind benefits, such as Medicaid. In general, however, Universal Insurance aims to fill the (often-dramatic) gaps in existing policies, rather than substitute for those policies.

Still, difficult questions arise when it comes to antipoverty programs, such as Temporary Assistance for Needy Families. If Universal Insurance benefits are counted as income in the determination of eligibility for such benefits, some families that now receive assistance may be disqualified. To ensure that this does not happen, and to

simplify administration, Universal Insurance benefits are not to be counted in the determination of eligibility for means-tested antipoverty benefits. They are, however, to be counted as taxable income at the end of the year.

Some families, of course, will still not apply for means-tested antipoverty benefits because Universal Insurance lifts their incomes sufficiently to discourage them from seeking assistance. Indeed, Professor Nargis and I estimate that 35 percent of individuals affected by the four categories of income risk covered by Universal Insurance—more than 3.5 million Americans in total—end up below the federal poverty line. Based on the PSID data, we further calculate that *Universal Insurance would entirely eliminate poverty among this population*, bringing *every* household affected by these income shocks above the poverty line. Universal Insurance is therefore likely to substantially reduce the burden on antipoverty programs, even without the explicit consideration of Universal Insurance benefits in state eligibility determinations.

To make these terms of coverage more concrete, consider a median-income family that sees a very large drop in family income of 75 percent, leaving it at roughly the 13th percentile of national family income. The family's drop from the median to the 40th percentile (the 20 percent threshold loss) amounts to the deductible and is not covered. The rest of the families drop is covered with a 50 percent coinsurance rate. In total, therefore, roughly 37 percent of the family's loss is covered, bringing the family's income back to around the 26th percentile.

Universal Insurance is more generous for family at the 25th percentile. If that family experiences the same 75 percent income drop, it faces only a 25 percent coinsurance rate after the initial 20 percent loss. As a result, 55 percent of the family's

loss is covered, keeping the family at the 16th percentile, rather than letting it fall to the 6th percentile. By contrast, a family at the 75th percentile that experiences the same 75 percent loss receives benefits that bring it to just above the 29th percentile, with 18 percent of its total losses covered.

In the case of unemployment and inability to work due to temporary disability, Universal Insurance continues for six months, so long as the policyholder continues to look for work (unemployment) or the debilitating condition remains (disability). In the case of the death of a spouse, insurance payments last one year, or until income rebounds, whichever comes first. In the case of temporary unemployment due to maternity or illness, Universal Insurance continues for up to 12 weeks—the duration of family and medical leave that is required of mid-size and large employers under federal law. Health costs are covered in any year for which they are at least 20 percent of family income.

Direct Benefits of Universal Insurance

From the PSID, Professor Nargis and I estimate that the income insurance component of Universal Insurance—insurance against disability, unemployment, inability to work due to illness and maternity, and loss of a spouse’s earnings—costs roughly \$50 billion annually (in 2005 dollars). Table 2 summarizes the benefits, their incidence by income group, and their total cost.

	Unemployment	Disability	Illness, maternity	Death of spouse
Average Benefit:				
<i>Bottom quartile</i>	\$2,574	\$3,582	\$943	\$5,487
<i>Second quartile</i>	\$2,004	\$3,080	\$313	\$2,610
<i>Third quartile</i>	\$2,629	\$738	\$867	\$9,127
<i>Top quartile (up to 95th percentile)</i>	\$3,150	***	\$401	***
Beneficiaries (1,000s):				
<i>Bottom quartile</i>	3,838	2,147	127	489
<i>Second quartile</i>	926	555	198	749
<i>Third quartile</i>	394	193	101	634
<i>Top quartile (up to 95th percentile)</i>	265	109	90	538
Total population covered (1,000s)	5,423	3,004	515	781
Total cost of insurance (\$B)	\$24.15	\$18.99	\$0.56	\$8.16

*** Insufficient observations. For these columns, total costs are calculated using third-quartile benefits.

These figures are probably upper-bound estimates. For one, they assume 100 percent participation. For another, they assume that all income losses that occurred in the year subsequent to the triggering event in the PSID dataset were in fact caused by the event, when in fact some of these losses may have resulted from other (uncovered) reasons, especially given the one-year interval between survey responses. To be sure, the PSID data do not take into account any potential behavioral effects of Universal Insurance, which could push up costs. But, as I argue later, key features of Universal Insurance are likely to militate against the problem of false or induced claims.

From the table, it should be clear that the main cost of the income-protection portions of Universal Insurance is benefits for the unemployed (46 percent of total benefits), followed by assistance for the disabled (37 percent), benefits for the spouses of deceased workers (15 percent), and 12 weeks of coverage for catastrophic income losses due to sickness and maternity (a bit over 1 percent).

The costs of coverage for catastrophic health expenditures cannot be estimated from the PSID. In 1996, according a recent analysis (Merlis 2002) of the Medical Expenditure Panel Survey, roughly 7 percent of families spent more than 11 percent of their incomes on out-of-pocket medical spending and their share of insurance premiums. (Similar figures are not available for losses exceeding 20 percent of income.) Not surprisingly, families with very high overall medical expenditures are the most likely to experience high out-of-pocket spending (Conwell and Cohen 2005). Because insurers may cut back on their coverage of high-cost cases in response to a government stop-loss program, current out-of-pocket spending is not a reliable guide to the expense of catastrophic protection for families. Kenneth Thorpe (2004) has recently calculated that a federal reinsurance program covering 75 percent of catastrophic medical costs would cost roughly \$35 billion in 2005 dollars. (It would also, he estimates, increase the number of privately insured Americans by 3 million by lowering private health premiums by 10 percent.) Coverage of 50 percent of catastrophic costs—the median coinsurance rate under Universal Insurance—instead of 75 percent of costs would lower the expense to around 23 billion. For present purposes, I use that figure as an upper bound of the cost of the catastrophic medical protection provided by Universal Insurance.

Costs and Financing

Thus, the annual cost of Universal Insurance could be as high as \$75 billion. This is not a trivial sum. But nearly all of these costs are not new expenses for society as a whole. Many are now borne by families and workers individually—in ways that create great hardship. And many represent a burden on privately financed institutions of social

protection, such as our bankruptcy system and private relief, neither of which is well designed to handle the basic functions of social insurance.

Furthermore, it is important to emphasize that all the aforementioned estimates are based on income losses *after* existing government taxes and transfers are taken into account. Indeed, according to the PSID data, 34 percent of the income losses in excess of 20 percent that are associated with covered risks is already replaced by public policies. This points to an important feature of Universal Insurance: It fills the gaps left by existing public policies; it does not substitute for those policies. This not only lowers its expense. Perhaps more important, it also brings into the open the cost of failing to upgrade existing policies to protect families against rising insecurity. Improving unemployment insurance or providing broader health coverage, for example, will substantially reduce Universal Insurance's cost, hopefully paving the way for these and other needed reforms.

A 1 percent payroll-based premium brings in roughly \$60 billion, which is close to sufficient to finance Universal Insurance on its own, particularly when potential savings to government antipoverty programs are taken into account.

Possible Moral Hazard and Incentive Problems

All insurance, social or private, raises the possibility of what insurance experts call “moral hazard”—the tendency for insurance to foster excessive risk-taking or related opportunistic behavior. In the case of Universal Insurance, the main concern is that the program will create incentives for people to remain unemployed longer, or to find a way to classify themselves as ill or disabled, to take advantage of Universal Insurance.

Moral hazard is a real concern. But Universal Insurance has several features that limit its potential effects. First, the high deductible and significant cost-sharing required by Universal Insurance are likely to discourage workers and their families from gaming the system. Universal Insurance does not take effect until family income has fallen by a substantial amount (20 percent), and even then it only covers a share of the subsequent losses. Including the deductible of 20 percent, the overall coinsurance rate ends up being between 50 and 70 percent for most families, even when they are hit with major income shocks. Catastrophic insurance has faults, but moral hazard is usually not the main one.

Second, the risks and costs covered by Universal Insurance are definable and discrete. And for a good number of them, too, deception is close to impossible. Death of a family breadwinner is not likely to be faked, nor are catastrophic medical costs. Pregnancy is, of course, the classic binary condition—though many mothers assure me that you can indeed be more or less pregnant.

Third, for those risks that are more ambiguous—namely, unemployment, temporary or permanent disability, and inability to work due to illness—established verification systems already exist. For example, there are well-defined procedures for classifying employees as unemployed, rather than simply out of the workforce (the PSID data counts the unemployed in a way consistent with federal statistics—that is, unemployed people are looking for work). Universal Insurance will not, for instance, cover workers who voluntarily quit their job without “good cause.” Pregnancy —almost universally rejected as “good cause” under the present system—is covered separately under the three-month maternity benefits. Lest there be doubt, parents who leave the workforce to raise children are *not* considered unemployed under Universal Insurance.

The extensive research on disability insurance makes clear that work-impairing disability or illness can never be entirely objectively determined. Disability rolls rise and fall with the state of the economy as a whole, the cognitive demands of jobs, and the generosity of disability benefits—with marginally employed workers moving onto the rolls during downturns or amid major structural shifts in their industry. Again, however, Universal Insurance requires large drops in income and covers only a share of the resulting losses, and it employs clear standards and requires medical certification. To receive benefits, workers must be under the care and treatment of physicians who are required to certify on a regular basis that workers cannot perform their normal duties.

Indeed, despite striving for automaticity, Universal Insurance rigorously evaluates eligibility when families file for assistance. (It will mostly, however, piggyback on existing monitoring processes, rather than create a vast new web of enforcement institutions—another benefit of a gap-filling program.) Even when a family’s income drops sufficiently to trigger assistance, the family must still comply with basic rules, administered by state and federal governments and private contractors, to obtain compensation. Assistance is generally limited in duration, and always secondary to help provided by other public programs. Moreover, the retrospective reconciliation of Universal Insurance claims and tax filings allows fraud and error to be caught and fixed.

How Universal Insurance Encourages Investment and Opportunity

Universal Insurance aims to provide security to expand opportunity. By giving families a basic foundation of financial security, it encourages them to make the investments needed to get ahead in a dynamic economy. Researchers and policymakers

have long recognized that policies that encourage risk-taking can benefit society as a whole, because a sufficient number of these risky investments may well pay off. Yet individuals may be unwilling to undertake the investments that involve this level of risk. First, from an individual point of view, the risks of failure may be too high. Second, behavioral research indicates that individuals are highly “loss averse,” meaning they fear losing what they have more than they welcome even substantially larger gains (Kahneman and Tversky 1984). Third, the gains of risky investment may entail positive externalities—that is, benefits that are not exclusive to the individual making the investment, but accrue to others outside the transaction—and thus individuals may not have as much incentive to invest in achieving these gains as they otherwise would.

Many economic investments made by families have this character. Owning a home, for example, is beneficial to families and society. But it entails substantial financial risk (Shiller 2005). As families have bid up home prices in areas with good schools and strong communities, more and more of family finances are tied up in risky home investments. Similarly, education—and particularly education of children—is an investment that pays off handsomely. But the returns to education are highly variable, and there is evidence they are becoming more so (Bernhardt et al. 1999; Farber 2005). Moreover, parents that invest in raising productive children do not reap many direct economic benefits, as they once did when children contributed to household production. The costs of investing in children are immediate and direct, the gains are long-term and societal. In short, the wellsprings of economic opportunity —assets, education, good parenting—are high-risk investments, often with positive externalities

Unique among social institutions, government can encourage such investments. It has the means—and, often, the incentive—to require participation in broader risk pools and to foster positive externalities that no private actor sufficiently gains from to encourage individually. This is a major reason why government has long played a central role in managing risk in the private sector (Moss 2002). Corporate law has historically recognized the need to limit the downside of risk-taking as a way of encouraging firms to take a socially appropriate amount of risk. The law of bankruptcy and the principle of limited liability—the notion that those who run a firm are not personally liable if the firm fails—allow entrepreneurs to engage in risky investments knowing that they will not be forced into penury or debt servitude if their risky bets fail. Deposit insurance increases the likelihood of savings and decreases the possibility of devastating bank runs, by allowing depositors to feel secure that they can obtain their money when they need it.

A similar logic holds for ordinary Americans. When workers and families are faced with fateful economic choices that place them at grave risk—about, for instance, the level of education to get or whether to retrain for new jobs—they may be unwilling to take the socially desired level of risk. As a result, more people choose the safe option, rather than the option that represents a socially desirable level of risk-taking. By providing basic security for families faced with these decisions—not complete protection, but a floor below which they are prevented from falling—government improves not only their own standing and opportunities, but also social welfare more generally.

This argument is not merely analogical. A growing body of evidence backs it up. Comparative statistics indicate, for example, that generous personal bankruptcy laws are associated with higher levels of venture capital (Armour and Cumming 2004). Research

on labor markets shows that workers who are highly fearful of losing their job invest less in their jobs and job skills than those who are more secure (Osberg 1998). And cross-national studies suggest that investment in education and job skills is higher when workers have key risk protections (Esteves-Abe, Iversen, and Soskice 2001; Mocetti 2004).

This last finding, which may surprise those weaned on the view of social insurance as an inevitable drag on the economy, is perhaps most telling. Workers, it seems, invest in highly specific assets—such as skills do not transfer easily from one firm or occupation to another—only when the risk of losing the potential returns of those assets are mitigated by basic insurance protections that are not job-specific. When insurance is not present, workers under-invest in the most crucial asset in most families’ portfolio—namely, the value of family members’ human capital (see also Neal 1995).

Universal Insurance looks even more efficient when considered against some of the leading alternatives that insecure citizens may otherwise be inclined to back. Trade protection, heavy regulation of the economy, and other intrusive measures may gain widespread popular support from workers buffeted by the turbulence of a dynamic economy. But these measures are also likely to reduce economic growth. By contrast, Universal Insurance protects families against the most severe risks they face, without clamping down on the potentially beneficial processes of economic change and adjustment that produce these dislocating risks.

In short, a foundation of social insurance such as that offered by Universal Insurance is not merely critical to providing economic security. It is also critical to ensuring economic opportunity and advancement in a dynamic economy. Universal

Insurance protects families when they “fall from grace” (Newman 1999), and for this it should be welcomed. But it also encourages families that do not experience misfortune to make the investments that benefit them and their society, and for this it should be celebrated. Social insurance is about efficiency and growth as well as equality and justice (Barr 1998).

Part III: Universal Insurance vs. Major Alternatives

In envisioning how Universal Insurance will work, it is useful to consider the program in relation to existing public and private policies, as well as against the backdrop of some possible alternative arrangements, such as targeted antipoverty assistance or tax-free savings accounts. In each of these comparisons, a strong case can be made that Universal Insurance not only poses little risk of crowding out existing arrangements; it is also superior to—but not incompatible with—alternative responses to rising insecurity.

The Gaps in Public and Private Policies

What can be said with certainty is that existing public and private policies are not adequately protecting families against economic instability in a new era of work and family. One revealing piece of evidence is provided by the PSID data reported at the outset: Whereas family income drops were substantially cushioned by government taxes and transfers in the 1970s, the cushioning effect of these interventions has declined dramatically. The median drop in family income in the early 1970s was roughly a third smaller than it would have been without taxes and transfers. By the early 2000s, taxes and transfers hardly made a dent in the median drop in family income. This may partially

reflect the growing role of in-kind benefits, which are not included in the PSID. But it seems clear that, at least when it comes to income protection, government is not doing as much as it once did to help working families that experience economic shocks.

In part, this is because U.S. social programs are increasingly focused on workers' retirement years, rather than on their youth or working lives. In comparative perspective, only Greece and Japan have a greater skew in their public social policies toward cash and services for the aged (Lynch 2000). Although protections for retirees are vital, the growing economic insecurity of younger Americans suggests the need for stronger policies to better deal with economic risks that affect families during the working years.

It may be asked why Universal Insurance is preferable to concerted efforts to upgrade existing categorical insurance programs for working families. The first point to emphasize is that Universal Insurance does not substitute for existing protections; it fills their gaps and, in doing so, makes tangible the costs of these gaps to society and to individual families. Indeed, by shifting some of the costs of these gaps onto the public fisc, Universal Insurance provides a new incentive for public officials to upgrade existing programs, thereby lowering Universal Insurance's costs.

Yet the rationale for Universal Insurance goes deeper. A broad program of social insurance covering a wide range of risks is likely to provide a stronger platform for enhancing economic security in a world of rapidly changing economic risks than the current collection of fragmented categorical programs. It is also likely to develop a stronger base of political support, because so many Americans will depend on it at one point or another. And because it is a single national program, it will not be subject to the

vagaries of interstate economic competition, which has encouraged many states to retrench social insurance protections during an era in which economic insecurity is rising.

Not only is government becoming less involved in risk protection; *employers* have also cut back many of the generous benefits they once provided as a matter of course. The United States is unique in the extent to which workers rely on employers for basic benefits, like health care and retirement pensions—benefits that in other advanced industrial democracies are provided mostly by government (Hacker 2002). Yet these private forms of risk pooling are in broad decline, with rates of coverage for lower-wage workers in falling dramatically. At the same time, public programs of social insurance have come under increasing strain. Most notably, unemployment insurance has contracted in reach and generosity during a period when job insecurity has risen. Between 1947 and 1995, the share of workers in covered employment who actually received benefits fell from 80 percent to less than 40 percent (Graetz and Mashaw 1999, 76). The GAO recently reported, in a brief entitled “Unemployment Insurance: Role as a Safety Net for Low-Wage Workers is Limited,” that low-wage workers are particularly unlikely to receive unemployment benefits. In 1995, only about 18 percent of unemployed low-wage workers were collecting benefits (GAO 2000).

Perhaps most important, few of America’s strained social programs have been retooled to deal with the new and newly intensified risks to income of the post-industrial, two-earner economy. The current framework of social insurance was constructed in an era in which the key economic risks were seen as a temporary interruption of male wages and inadequate income in retirement. Today, even well-educated workers face a heightened risk of being displaced from employment without prospects for rapid

reemployment at comparable levels of earnings, and women are much more likely to be breadwinners than to stay home to care for children. The distinctive risks to family finances created by these shifts are not well insured by present policies.

Universal Insurance will not fill all these gaps, but it will provide a crucial backstop where existing policies fall most short. It will cushion the growing drops in family income. It will even out American policy commitments between the elderly and working families. It will fill some of the glaring gaps left by unemployment insurance. It will help younger and older Americans alike deal with catastrophic medical costs. And, as already argued, it will provide a new motive for improving federal programs—lessening the burden that their gaps pose for the backstop of Universal Insurance.

Will Universal Insurance Crowd Out Private Insurers?

This backstop role may raise worries about the effect of Universal Insurance on private alternatives. Like moral hazard, “crowd out” is not an idle concern, but Universal Insurance is tailored to minimize it. To begin with, it focuses on domains of risk where few good private substitutes exist. Even where private alternatives do exist (such as private disability insurance and health insurance), these substitutes are often unavailable to people with lower means or higher risks—precisely those who need them most.

Moreover, some degree of crowd out of private benefits is not just unavoidable, but desirable. As discussed earlier, taking a portion of the burden of catastrophic health costs off of private insurers will lower insurance premiums and even out the insurance market, decreasing the potential for risk segmentation and increasing the number of insured. Already, private disability insurance works in tandem with the federal disability

insurance program, supplementing, rather than replacing, its benefits. If Universal Insurance lowered private disability premiums and, thereby, the cost to employers of providing disability protection, this should increase private coverage rates, which remain unimpressive, particularly in the small-business sector.

Concern about “crowd out” might make sense if private protections against economic risk were rapidly expanding. Yet, as discussed, many private forms of risk protection are currently in steep decline. As a result, the public sector is increasingly acting as the insurer of last resort in any case—but it is doing so through often arbitrary, frequently inefficient, and sometimes even counter-productive means. In this context, a modest amount of crowd out is actually valuable, because government is better poised than companies or families to bear widely distributed catastrophic risks. Removing these risks from the shoulders of employers and families does not just help those Americans who benefit directly. It can make the economy run more smoothly, too.

Will Universal Insurance Prevent New Forms of Income Insurance?

Some economists, most notably Robert Shiller (2003), have argued that private income insurance (which Shiller calls “livelihood insurance”) could arise if reliable data on career outcomes over long periods of time were available. Shiller envisions a robust market for commercial insurance contracts providing protection if earnings in specific occupations fall over time.

Yet livelihood insurance seems highly unlikely to arise in the private market on its own. For starters, as Shiller himself notes, livelihood insurance requires very long-term contracts; otherwise workers simply opt out if their earnings rise. As the weaknesses

of the market for long-term care insurance suggest, long-term contracts are extremely difficult for private insurers to write or enforce, the more so the more uncertain future costs are. Furthermore, the behavioral biases that Shiller has written about in other publications (Shiller 2005) suggest that most Americans are not good judges of their need for insurance against low-profile and diffuse but devastating risks, with most people severely underestimating the likelihood of needing protection. As a result, many workers who would greatly benefit from livelihood insurance are likely to forgo it.

Finally, even if the requisite data were available, insurance companies would still face a great deal of systemic risk—the possibility of large, highly correlated losses that affect many policyholders simultaneously. Systemic risk is extremely difficult to diversify or hedge against. By contrast, the federal government would have comparatively little trouble dealing with all the aforementioned problem: It could compel participation, and it could use its unparalleled financial powers to diversify systemic risks across citizens and over time.

These, indeed, are some of the most basic arguments for social insurance. Government has the power to require participation, and it is uniquely capable of bearing large concentrated losses. Only government can spread costs and risks not just across citizens, but also across generations—living and unborn. Equally important, only government can construct systems of insurance (whether publicly or privately administered) that are favorable to higher-risk groups and lower-income citizens. In a competitive market, private insurers simply cannot sustain such cross-subsidies.

Social insurance can also be highly efficient—not just, as I have argued, in the broader sense of encouraging risky investments, but also in the most straightforward

sense of providing the most for the least. The administrative costs of social insurance are generally far lower than those of private insurance: Marketing costs are minimal to nonexistent, operational costs are low thanks to economies of scale, and underwriting costs are simply not a factor. Holding the character of insurance coverage constant, social insurance—with its large risk pool, lack of need to differentiate subscribers on the basis of their risk, and low overhead—simply costs much less to operate than private plans.

We can get a sense of these multiple advantages when comparing Universal Insurance to two other currently favored approaches to dealing with insecurity: assistance for the poor, and specialized tax-favored savings accounts.

Universal Insurance vs. Antipoverty Assistance

Like other social insurance programs, Universal Insurance includes families with higher incomes as well as those near or below the poverty line. Might it make more sense to have a more targeted and less costly program?

Assistance for the poor is the ultimate safety net in a capitalist economy, and Universal Insurance cannot and will not replace it. There are compelling reasons for a floor of antipoverty benefits in a democratic capitalist society—and, as we have seen, Universal Insurance does not affect families' eligibility for antipoverty benefits. But for dealing with economic insecurity, the programmatic and political benefits of a broad and inclusive program like Universal Insurance are overwhelming. After all, even Americans who are not poor, or at immediate risk of becoming poor, fear large drops in income. And when it comes to family incomes, this high level of loss aversion makes intuitive sense. A family that experiences a large drop in income or catastrophic health costs has to do

without things it has come to depend on. It struggles to pay bills. It goes into debt. It may lose a home. And it has to contend “not only with financial hardship, but also with the psychological, social, and practical consequences...of losing [its] ‘proper place’ in the world” (Newman 1999, 8).

What is more, as we have seen, Universal Insurance *is* an anti-poverty program, removing more than 3.5 million Americans from the poverty rolls. Most of the poor, research suggests, are poor for relatively short periods of time—precisely because of the kinds of events Universal Insurance covers. Mark Rank has estimated that more than half of Americans spend at least a year in poverty by the age of 75. (Revealingly, Rank has also found that the probability of spending time in poverty has risen markedly in the last generation.) Yet long-term poverty is comparatively rare: Fewer than 10 percent of Americans spend five or more consecutive years in poverty by the age of 75. In short, many of the poor in any given year are poor because they lack adequate income insurance. Among this substantial share of poor Americans, insurance against catastrophic economic risks would be a better approach to poverty prevention than forcing citizens to experience serious economic hardship for long enough that they qualify for sometimes stigmatizing and invasive public programs of assistance.

Finally, experience suggest that it is hard to sustain broad support for programs narrowly targeted on the least advantaged, particularly when it comes to cash assistance. Antipoverty assistance is often seen as a giveaway. Insurance, by contrast, is viewed as a contract, emphasizing shared responsibility as well as shared risk. In keeping with this contractual vision, Universal Insurance requires contributions up front, and while they are modest for lower-income citizens (and the benefits that these citizens receive in return are

disproportionately large), the program is still a quid pro quo: Everyone contributes something to their own protection, in return for the promise of help when the winds of fortune blow foul. As a result, Universal Insurance promises to create a large and enduring community of shared fate that supports and protects the program as it ages.

Universal Insurance vs. Tax-Favored Accounts

Special savings accounts, such as IRAs, have some of the distinctive positive qualities of social insurance: They entail no stigma, they put responsibility on individuals to make contributions, and they are politically popular among middle- and higher-income citizens as well as the poor. In addition, private accounts limit moral hazard, because account amounts are the property of account-holders (within limits), reducing the incentive for opportunism or gaming.

Yet tax-favored accounts do not provide insurance. While they can soften the blow of income drops and expenses, truly catastrophic events will quickly exhaust the savings of even the most thrifty middle-class and lower-income families. Moreover, tax-favored private accounts almost invariably favor the well off, both because well-off citizens are most likely to make contributions and because they generally reap the largest tax subsidies when they do. In theory, private savings accounts can be made more progressive—and, indeed, I believe that a progressive multi-purpose savings account should be coupled with Universal Insurance. Still, even a progressive account will not address catastrophic risks. And, finally, unless accounts and contributions to accounts are mandatory, private accounts do not directly confront the problems of myopia and risk

misperception that cause families to systematically underestimate the savings they need to deal with economic shocks.

In short, only social insurance is capable of pooling catastrophic risks broadly across the population in a progressive and politically sustainable way. If private accounts are very large, very tightly regulated, and very highly subsidized for lower-income and higher-risk citizens, they can certainly bolster income security. But all these are huge “ifs” that raise massive problems of program design and political feasibility (not to mention financial feasibility, since private account proposals are often spectacularly expensive). I support substantial progressive private savings accounts, but holding out hope for such accounts may be akin to waiting for Godot. By contrast, social insurance is a ground-tested idea that has proved highly capable not only of protecting families against pervasive economic risks, but also of creating a strong political constituency in favor of program continuance—as I argue in the next and final section.

Part IV: The Road Ahead

Universal Insurance presents a twenty-first century vision of social insurance that combines a commitment to basic economic security with the goal of advancing economic opportunity. In an era of rampant skepticism about government, one marked by a partisan conflict and a growing economic divide, can that vision be realized? The challenge is certainly great. But the need is real, and Universal Insurance is designed to meet the need in a way that most Americans support.

Today, the ideal of economic security seems dated to many. Yet the opposite is true. The big economic trends of the past generation—deregulation, deindustrialization,

increased foreign competition, the decline of unions, the transformation of the family—all have unleashed new and newly intensified economic risks. Americans are richer than they were a generation ago (though median incomes have risen more modestly than is commonly believed). But they are also facing much more dramatic income swings, and in an era of private and public cutbacks, they are facing them largely on their own. As economic insecurity has intensified, moreover, it has moved up the income ladder. Increasingly, educated, middle-class Americans are riding the economic roller coaster once reserved for the working poor.

Against this backdrop, it should come as little surprise that Americans remain so pessimistic about the economy. Four years after the most recent recovery began, voters' assessments of the economy are low and falling. A Gallup poll from mid-October found about two-thirds of Americans characterizing the economy as “only fair” or “poor,” with more saying the economic conditions were getting worse than said they were getting better (50 percent versus 39 percent). And, in a CBS News/*New York Times* poll from the same time period, two-thirds of voters said their families' economic fortunes had not improved in the previous four years, while three-quarters held the same negative judgment about the job situation in their local community (these and subsequent poll results are from Hacker and Teixeira 2005).

Yet while Americans are gravely concerned about the economy, they do not think that the federal government, or either of the two major parties, is effectively addressing their concerns. In a recent series of focus groups, the Economic Policy Institute found that middle-class Americans “believe traditional relationships that formerly provided some security are disappearing.” Yet they also believe that “government is corrupt and

neither trustworthy nor a source of solutions.” The middle-class response to rising insecurity, according to the EPI’s focus groups, is blunt and resigned: “It’s up to me.”

Middle-class Americans, in short, have a Janus-faced perception of their economic standing. On the one hand, they believe that they are losing security, and do not want to be required to manage risks solely on their own. Indeed, political pollsters regularly report 10-15 point advantages for “economic security” messages over various versions of “ownership” messages. They also find a consistent public preference for a role for government that promotes security, as opposed to a role that keeps taxes low to promote ownership and self-reliance. Moreover, this message strikes an especially responsive chord with the most important group of swing voters in the 2004 election—namely, married women, who favor “security” over “self-reliance” messages by almost a two-to-one margin.

On the other hand, Americans still strongly believe that, through hard work and wise choices, they can rise and thrive in the economy on their own. Polls taken over many decades show Americans are great supporters of opportunity and mobility—optimistic about their own standing, only moderately concerned about rising inequality, and less than forgiving of those who do not pull themselves up by their own bootstraps. Despite recent economic events, this optimism has not disappeared. A March poll conducted by the *New York Times*, for example, found that 82 percent of Americans describe themselves as working, middle, or lower class. Yet 45 percent believe it is very or somewhat likely that they will become financially wealthy in the future, and 80 percent say it is still possible in America to start out poor, work hard, and become rich.

Universal Insurance speaks to both sides of this dual vision—to Americans belief in opportunity as well as their desire for security. Universal Insurance is not just about preventing financial disaster. It also has a more optimistic goal: to help families get ahead. Just as businesses and entrepreneurs are encouraged to invest and take risks by basic protections against financial loss, so Universal Insurance encourages families to make the sacrifices necessary for economic opportunity. It represents a new bargain, based on the reality that our highly volatile and flexible economy creates both great rewards and great risks. Universal Insurance protects against the risks while securing the rewards. It is a necessary cushion against the sharp edges of capitalism—one that is far preferable to the more intrusive measures that anxious citizens might otherwise demand, such as extensive regulation of the economy or restraints on international trade and finance.

Universal Insurance, in short, *provides security to expand opportunity*. And this is an aspiration to which Americans are likely to be receptive. By protecting families against catastrophic economic shocks, Universal Insurance provides the basic security that families need to reach for, and hold onto, the American Dream.

References

- Armour, John, and Douglas Cumming. 2004. The Legal Road to Replicating Silicon Valley. Paper read at Babson Entrepreneurship Conference, at Glasgow, Scotland.
- Barr, Nicholas. 1998. *The Economics of the Welfare State*. 3rd ed. Oxford: Oxford University Press.
- Bernhardt, Annette, Martina Morris, Mark S. Handcock, and Mark A. Scott. 1999. Trends in Job Instability and Wages for Young Adult Men. *Journal of Labor Economics* 17 (4):65-90.
- Bradbury, Katharine. 2005. Additional Slack in the Economy: The Poor Recovery in Labor Force Participation During This Business Cycle. In *Federal Reserve Bank of Boston Series, brief no. 05-2*. Boston, MA.
- Cancian, Maria, and Deborah Reed. 2004. Changes in Married Couples' Intra-household Distribution of Work and Earnings. Paper read at Population Association of America 2004 Annual Meeting, March, at Boston, MA.
- Conwell, Leslie J., and Joel W. Cohen. 2005. Characteristics of Persons with Medical Expenditures in the United States Civilian Noninstitutionalized Population. Washington, D.C.: Medical Expenditure Panel Survey.
- Dynarski, Susan, and Jonathan Gruber. 1997. Can Families Smooth Variable Earnings? *Brookings Papers on Economic Activity* 1997 (1):229-284.
- Esteves-Abe, Margarita, Torben Iversen, and David Soskice. 2001. Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State. In *The New Politics of the Welfare State*, edited by P. Pierson. New York: Oxford University Press.
- FamiliesUSA. 2003. Going without Health Insurance. Washington, D.C.: Families USA Foundation.
- FamiliesUSA. 2004. Health Care: Are You Better Off Today Than You Were Four Years Ago? Washington, D.C.: Families USA Foundation.
- Farber, Henry. 2005. What Do We Know about Job Loss in the United States? *Federal Reserve Bank of Chicago* 2Q:13-28.
- GAO. 2000. Unemployment Insurance: Role as Safety Net for Low Wage Workers is Limited: United States General Accounting Office.
- Graetz, Michael J., and Jerry L. Mashaw. 1999. *True Security: Rethinking American Social Insurance*. New Haven, CT: Yale University Press.
- Hacker, Jacob S. 2002. *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States*. New York: Cambridge University Press.
- Hacker, Jacob S. 2004. Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States. *American Political Science Review* 98 (2):243-60.
- Hacker, Jacob S., and Ruy Teixeira. 2005. Losing at Home? Why Democrats Aren't Winning on the Economy--and How They Can: Yale University.
- Himmelstein, David U., Elizabeth Warren, Deborah Thorne, and Steffie Woolhandler. 2005. MarketWatch:Illness And Injury As Contributors To Bankruptcy. *Health Affairs* Web Exclusive.
- Kahneman, Daniel, and Amos Tversky. 1984. Choices, Values, and Frames. *American Psychologist* 39:341-50.

- Lynch, Julia. 2000. The Age Orientation of Social Policy Regimes in OECD Countries. *Journal of Social Policy* 30 (2).
- Merlis, Mark. 2002. Family Out-Of-Pocket Spending for Health Services: A Continuing Source of Financial Insecurity. New York: The Commonwealth Fund.
- Mocetti, Sauro. 2004. Social Protection and Human Capital: Test of a Hypothesis: Department of Economics, University of Siena.
- Moffitt, Robert, and Peter Gottschalk. 2002. Trends in the Transitory Variance of Earnings in the United States. *Economic Journal* (March).
- Moss, David A. 2002. *When All Else Fails: Government as the Ultimate Risk Manager*. Cambridge, Mass.: Harvard University Press.
- Neal, Derek. 1995. Industry-Specific Human Capital: Evidence from Displaced Workers. *Journal of Labor Economics* 13 (4):653-677.
- Newman, Katherine S. 1999. *Falling from Grace: Downward Mobility in an Age of Affluence*. 2nd ed. Berkeley, CA: University of California Press.
- Newport, Frank. 2005. Americans' Dour Economic Attitudes Little Affected by Katrina; Americans very negative on economy both before and after hurricane. In *Gallup Report*.
- Osberg, Lars. 1998. Economic Insecurity. Sydney, Australia: Social Policy Research Centre.
- Pierson, Paul. 2004. *Politics in Time*. Princeton: Princeton University Press.
- Schreft, Stacey, and Aarti Singh. 2003. A Closer Look at Jobless Recoveries. *Federal Reserve bank of Kansas City* 2Q:45-73.
- Shiller, Robert J. 2003. *The New Financial Order: Risk in the Twenty-First Century*. Princeton, N.J.: Princeton University Press.
- Shiller, Robert J. 2005. *Irrational Exuberance*. 2nd ed. Princeton, N.J.: Princeton University Press.
- Thorpe, Kenneth E. 2004. Impact of Sen. John Kerry's Proposal on Health Care Costs: Emory University.
- Warren, Elizabeth, and Amelia Warren Tyagi. 2003. *The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke (With Surprising Solutions That Will Change Our Children's Futures)*. New York: Basic Books.