



**The New Domestic Agenda --
A Turning Point for Our Economy, Government, and Working Families**

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This is a watershed moment. Economic, institutional, and fiscal turmoil not seen since the Great Depression have spurred enactment of the most expansive federal domestic spending legislation in decades along with ambitious plans for further policy and regulatory reform. While many details remain to be worked out, the federal government will soon play a very different role in the nation's economy and system of social supports. Much of what policy experts thought they knew about the federal government's willingness and ability to take the lead, federal-state relationships, and market regulation will be transformed fundamentally.

The exceptional changes now unfolding demand rigorous policy analysis and assessment that can inform action: creative solutions must be identified, the risks inherent in hastily crafted interventions must be independently weighed, and the experiences of families, employers, cities, and states must be evaluated. Without timely and reliable information, hard-headed analysis, and constructive evaluation, federal, state, and local policymakers can't make good decisions now or adapt to complex and evolving challenges going forward.

Today, amid a deep and unpredictable recession, the Urban Institute is marshalling its experience and expertise by producing quick assessments of proposed tax and spending policies (see <http://www.taxpolicycenter.org/taxtopics/comparingreportcard.cfm> and <http://www.urban.org/issues/recovery.cfm>) and by convening experts and practitioners to share and analyze competing prescriptions for the challenges facing the nation. Our preliminary analyses convince us that two large groups of Americans—low-income working families and those in or nearing retirement—are particularly vulnerable in the current economic turmoil. Moreover, government's capacity to help these and other Americans effectively and fairly may hinge upon major shifts in the federal-state balance of power and responsibility. Thus, we propose four strategic research initiatives that capitalize on the Urban Institute's deep expertise to produce the information and perspectives policymakers so urgently need:

Turning Legislation Into Action. Passing an economic recovery package is just a first step. To put this package into operation – creating jobs, stimulating the economy, and establishing a base for further reforms -- federal, state, and local policymakers and practitioners face innumerable decisions and practical challenges. Urban Institute policy experts understand the limits of federal agencies' capacity to distribute money quickly while providing adequate oversight, the difficulties states will face adapting current program rules to new requirements and timetables, and the challenges local agencies (both public and nonprofit) will face ramping up their activities quickly. We can gauge the impacts of these implementation challenges and choices for healthcare, education, early childhood investment, green jobs, workforce

development, income supports, and housing, but also explore how challenges and tradeoffs interconnect across policy domains. Our researchers will identify successes and failures as they unfold, suggest solutions, convene experts and opinion-makers who can further develop and act on new ideas, and provide feedback to federal, state, and local practitioners on what works and what doesn't.

Making the Recovery Work for Low-Income Families. Today's deep economic recession directs renewed attention to longstanding inequities in both job opportunities and systems of support for working families and their children. The economic turmoil may make fundamental policy change to address these inequities more politically feasible. In fact, some elements of the stimulus package have been characterized as "downpayments" on restructuring or re-making the US economy. But federal, state, and local policymakers and practitioners need solid information about which workers are most affected by today's lay-offs, wage reductions, and benefit cuts, who is most likely to gain ground from the stimulus and the recovery, and how the safety net can be modernized to reflect the exigencies of the new economy. Urban Institute researchers will focus on the fortunes of low-income working families and their children during this time of economic transformation, rigorously investigating changes in the mix of jobs at low- and moderate-skill levels, analyzing wages and benefits offered by employers, assessing the adequacy of worker training systems and incentives, and recommending essential reforms in key safety net, workforce, and work-support programs.

Repairing Retirement Security. Taken together, the plunging stock market, slumping house values, and rising unemployment pose daunting challenges to the retirement security of America's growing elderly population. The costs of bailing out the financial sector and reviving the economy raises the importance of fixing Social Security's and Medicare's long-term financing, which will otherwise drain trillions of dollars from the treasury. And as millions of baby boomers begin to retire, adverse consequences will extend to younger adults, who will be asked to pay for the income and health supports needed for the growing retired population. Policymakers need analysis that spans these policy domains rather than examining each in isolation. Urban Institute researchers will produce a holistic, integrated picture of retirement security in a world of drastically reduced asset values. Instead of considering programs like Social Security, Medicare, Medicaid, and work and housing supports in isolation, we will examine their combined impact on retirees, those approaching retirement and younger generations. And our unique forecasting tool, DYNASIM3, will produce long-term forecasts of retirement incomes under alternative policy scenarios.

Rebalancing Federal-State Responsibilities. Three aspects of today's political and economic climate could transform the federal-state relationship: the deep recession's devastating effects on state and local budgets, the sudden infusion of hundreds of billions of federal dollars, and pressures to strengthen federal regulatory authority, particularly in housing and financial markets. Urban Institute experts will combine quick-turnaround tracking and

longer-term assessments of changes in federal-state funding relationships, standard-setting, and regulatory powers. This research will reveal how states respond to new federal funding and mandates and explore where local governments fit in the evolving federal-state picture. And findings will inform recommendations for further restructuring to make federal-state funding relationships more “recession-proof” in future economic downturns.

In all four of these strategic research initiatives, Urban Institute researchers will zero in on specific policies and programs – including taxes, spending, and market regulation -- that govern healthcare, childcare, public education, work supports, the social safety net, and asset building. Our experts will dig deep to describe and analyze market changes, policy reforms, and their consequences. But often, the whole differs greatly from the expected sum of the parts. The Urban Institute is uniquely positioned to look across domains to discern and assess the combined effects of both economic turmoil and policy innovation on low-income working families, their children, and retirees.

Undergirding our analyses will be a new web-based ***Metropolitan Barometer*** that will provide the most current available information on social and economic outcomes essential to the well-being of people and places. The *Metropolitan Barometer* will track outcome trends for the nation as a whole, but zoom in on selected metropolitan regions, because metropolitan areas are home to the vast majority of Americans and most of the nation’s economic drivers. Urban Institute researchers will use the *Metropolitan Barometer* to assess changes in economic and social well-being and track disparities among places and population groups. This new tool will help answer fundamental questions about how the nation’s people and communities are faring as recession, recovery, and policy innovations unfold, giving special attention to such vulnerable groups as low-income families and their children, minorities, and immigrants.

The Urban Institute is uniquely qualified to inform the public and the policy community at this critical turning point. Over the past four decades, the Institute has earned a reputation for conducting policy research that is both highly relevant and fiercely independent. Urban Institute researchers do more than study and opine; they produce new evidence that advances the nation’s collective understanding of complex problems, informs public debate about the effectiveness of policy interventions, and guides the decisions of policy makers and bureaucrats. The combined breadth and depth of Urban Institute expertise spans policy domains that, too often, are analyzed in isolation. By looking across domains, Urban Institute research reveals how new spending, taxes, or regulatory regimes actually play out for people and places.

Twice before when the federal government embarked on new policy directions, the Urban Institute responded with serious and wide-ranging policy analysis. In the 1980s, the Changing Domestic Priorities project systematically assessed the impacts of the “Reagan Revolution.” And for a decade starting in the mid-1990s, the Assessing the New Federalism

project monitored welfare reform's implementation and evaluated the transformation of safety net programs and federal-state relationships. Enormously influential, these signature research initiatives heightened public understanding of complex issues and policy choices, provided timely feedback to policymakers and practitioners, pioneered "real time" policy research spanning many policy domains, and delivered lasting insights for policy development and debate.

The program of research and communication outlined here will be complemented by two other major policy research initiatives. The Tax Policy Center, a joint venture of the Urban Institute and the Brookings Institution, rigorously tracks and analyzes federal tax policy and estimates revenue and distributional effects for the latest tax proposals and bills. We also expect to enter into a new partnership with Brookings to create a federal fiscal center (Peterson Center) to monitor and analyze the nation's fiscal health and propose remedies.

In the near term, the Urban Institute's research on the new domestic agenda will inform citizens and policymakers about critical policy choices and challenges, thus immediately fortifying both public debate and program implementation. Our approach -- assessing the likely consequences of policy proposals, highlighting critical barriers, suggesting implementation strategies, and documenting key decisions—will yield sound policy advice and provide a record of policy experimentation. Over the longer term, our proposed research will produce new evidence to inform public knowledge and debate, assess the outcomes of the evolving domestic agenda, and help guide policy and programmatic innovation and reform.