April 12, 2017

The Honorable Mike Crapo
Senate Committee on Banking,
Housing & Urban Affairs
Washington, DC 20510

The Honorable Sherrod Brown
Senate Committee on Banking,
Housing & Urban Affairs
Washington, DC 20510

Dear Senators:

Thank you for the opportunity to submit legislative proposals to promote economic growth. The economic change resulting from technology, globalization, and shifting demographics is relentless. If policymakers are going to successfully build sustainable economic growth in the 21st century economy, our economic agenda must endeavor to make these global forces of change work for people, not against them. Below, we outline five policies that harness public- and private-sector resources to create widespread economic growth and opportunity.

#1: Institute a minimum pension that closes the wealth gap.

Too few Americans are prepared for the costs of retirement. Nearly one-third of Americans have no retirement savings or pension, according to the Federal Reserve. Our own research has found that 63% of Americans are concerned that they will not have enough money for a comfortable retirement.

To guarantee that a lifetime of work would lead a comfortable and dignified retirement and allow families to build a nest egg to pass on to their children, we recommend funding a minimum pension through an employer contribution of 50¢ an hour on top of wages. These contributions would be placed in a low-fee, life-cycle IRA plan that is individually owned, fully portable, and private-sector managed. Employers who already provide sufficient defined benefit plans, IRAs, or 401(k) plans would be exempt, and employees would have the ability to redirect their investments or opt out.

Virtually all workers at all ages would benefit from the minimum pension plan. Using the power of the capital markets to decrease wealth disparities rather than increase them is especially critical for women, who already face a 26% gap in retirement savings compared to men. For the average high-school-educated individual, a 50¢ minimum employer contribution combined with a default employee contribution would create $380,000 in private wealth by retirement (2016 dollars), which can purchase a $1,440 monthly annuity for life with a spousal guarantee.

A version of this legislation, H.R. 5731, was introduced in the U.S. House of Representatives in the 114th Congress.

#2: Create a Race to the Job Initiative to bring jobs to low-income areas.

Too many communities are being left behind as a result of the widespread economic change happening around us. For families in those communities, the future looks bleak—those born poor have a 70% likelihood of being poor or near-poor as adults. We need a fundamental commitment to remake low-income areas with sustainable jobs and opportunities for families to prosper.

The Race to the Job initiative would link a public funding commitment to a competition among low-income areas across the United States. The government would commit to investing seed capital in areas of the country that developed the most ambitious and innovative partnerships to bring economic growth to their region through job creation, training programs, and infrastructure projects. This would be a huge inducement for mayors, governors, unions, community organizations, and private industry to come together with bold strategies and plans to attract industry and jobs as well as prepare these cities for growth. Once the most ambitious and innovative plans are selected, federal funding for loans and investments in local businesses, organizations, and public-private partnerships would be delivered through Community Development Financial Institutions (CDFIs). With the involvement of CDFIs, which attract private capital at a leverage ratio of better than ten-to-one, investors like pension funds, foundations, and individuals would be motivated to provide additional financial resources.

A version of this legislation, H.R. 6017, was introduced in the U.S. House of Representatives in the 114th Congress.

#3: Give financial institutions safe harbor to work with legal marijuana businesses and end the industry's all-cash reliance.

Despite the fact that all but six states have legalized some form of marijuana, the industry remains largely unbanked. With marijuana still illegal under federal law and only non-binding guidance in place from the Financial Crimes Enforcement Network, many banks are unwilling to serve state-legal marijuana-related businesses. As a result, a market valued at more than $6 billion in 2016—and expected to top $50 billion in the next decade—is operating almost entirely in cash. Marijuana-related businesses are prevented from getting loans, accepting credit card payments, and opening savings accounts, forcing them to pay their employees, rent, and taxes in cash. That puts businesses, employees, and their neighbors at risk of violent crime, makes it hard to tax and regulate the market, and attracts a criminal element we don't want at the forefront of a burgeoning industry.

Regardless of where one stands on marijuana legalization, the banking ban is a serious public safety problem—and only Congress can fix it. Providing a safe harbor from civil and criminal liability for financial institutions and ensuring that they won't be punished by federal regulators for working with marijuana businesses in states where they are legal would provide banks with the security they need. And, it would allow states that choose to legalize marijuana to effectively tax and regulate it.

A version of this legislation, S. 1726/H.R. 2076, was introduced in the U.S. Senate and the U.S. House of Representatives in the 114th Congress.

#4: Offer a federal moving stipend to Americans seeking to relocate for better opportunities.

Moving to find opportunity is expensive. While there are some tax benefits for relocation, they are only available to individuals with long-distance job offers or transfers. Specifically, an individual must move at least 50 miles away and must work full-time at least 39 weeks during the following year. This unfortunately overlooks many economically relevant reasons why Americans seek to move. Some examples include job seekers who would like to move to a new state with more job opportunities; low-income workers who face long commutes to work and would like to live closer to their jobs; individuals pursuing a certificate, college degree, or graduate degree in a different location; and caregivers who need to relocate to care for an ailing family member.

A universal federal moving stipend would give Americans the power to relocate for any reason that would improve their economic standing. Given that 46% of Americans would be unable to cover an emergency expense of $400 without selling assets or borrowing funds, according to the Federal Reserve, it could make a real differences for individuals to have immediate access to a cash stipend to help with moving expenses.

#5: Provide a per-ride federal public transit subsidy to stabilize costs, expand services, and reverse the death spiral facing public transit agencies.

Public transit services are susceptible to the death spiral—rising prices lead to fewer riders, and fewer riders lead to higher prices. To reverse this pattern, the federal government can replace FSA tax benefits with something bigger, bolder, and simpler: a per-ride subsidy. This would encourage riders to use public transit more often, and with increased ridership, communities can increase or launch services in underserved and unserved locations—including suburban and rural areas. The subsidy should be broadly applied to cover newer initiatives like bike-share and car-share.

This policy would have a particularly strong positive impact on low- and middle-income workers. As we highlighted in a recent report calling for infrastructure investment, three out of four low- and middle-income workers who rely on public transit face commutes to work that are over 90 minutes long each way. Reducing commute times and transit costs has the added benefit of increasing the pool of labor supply for employers.

Thank you again for the opportunity to submit our policy ideas. We look forward to discussing these in more detail with you and your staff.

Sincerely,

Gabriel Horwitz

Gabriel Horwitz
Vice President, Economic Program