



Red, White, and Gray

POPULATION AGING, DEATHS OF
DESPAIR, AND THE INSTITUTIONAL
STAGNATION OF AMERICA

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Executive Summary

Americans are getting older. While we were once a youthful country with fast growth propelled by high fertility and immigration, today Americans are getting older at an even faster rate than many European countries. This will have significant economic and social consequences over the next several decades.

But paradoxically, while Americans are getting older, they are also dying younger. Life expectancies have begun to decline, driven by so-called deaths of despair, which can be better thought of as man-made deaths. These deaths include not just suicide and drug deaths but also, in recent years, increased traffic accidents and homicides. Man-made deaths can account for 100 percent of the decline in American life expectancies: We are, on a national scale, killing ourselves. The result is even slower growth in the labor force just as baby boomers approach retirement. The fiscal strains of this one-two punch on local, state, and federal budgets will be enormous.

Meanwhile, American society is changing. As Americans have gotten older and more settled, our institutions have also become less dynamic. A country that was once typified by a sense that anyone could be or do anything is now hidebound by an increasingly heavy weight of rules and regulations. While this trend toward more regulation and greater

constraints on regular life can be seen across all walks of life, this report focuses on five main areas:

- Increasing stringency of land use regulations such as zoning,
- Greater prevalence of restrictions on work such as occupational licensing,
- Unusually high incarceration rates given currently low crime rates,
- An education system that forces people to spend more years in school for a higher cost and less value, and
- Growing debt and other financial burdens among households and at all levels of government.

These trends can all be traced back to policy choices made between the 1940s and 1990s. That is to say, while they disproportionately afflict younger generations such as millennials, they are problems created by baby boomers and their parents. If the United States is to have a 21st century as prosperous as its 20th century, these damaging legacies of the baby-boomer generation must be fixed.

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In his play *A Woman of No Importance*, Oscar Wilde gives a British lord the remarkable line, “The youth of America is their oldest tradition. It has been going on now for three hundred years. To hear them talk one would imagine they were in their first childhood. As far as civilization goes they are in their second.”¹ The idea of America as a youthful country has captured the national imagination for centuries. From the virgin lands of the American West to the very idea of an “American experiment,” the American poet Ezra Pound’s injunction to “make it new,”² or what Walt Whitman called in *Song of Myself*, “Urge and urge and urge, / Always the procreant urge of the world,”³ America has always thought of itself as a young country. A bold country. A country full of energy and optimism, with good things to share with the wider world.

And throughout our history, this rhetoric has basically been right: We truly *were* a young country. Our institutions were young, nimble, and able to change in response to new threats. Our society was dynamic, flexible, always maturing, and never quite settled. There was always a new American frontier. But *Star Trek*’s famous opening in 1966, “Space: the final frontier,”⁴ may have been a bit too on the nose. The generation that grew up with *Star Trek* would not conquer any new frontiers. Rather, they would subject our country to an avalanche of regulation, litigation, and indebtedness from which we may not recover.

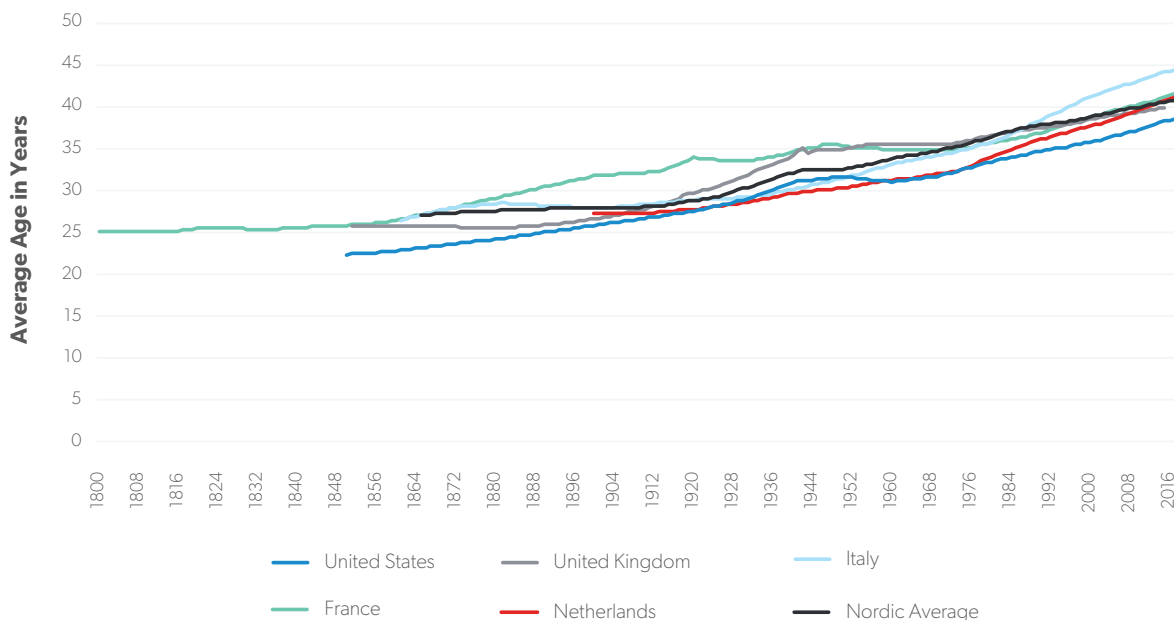
America is no longer young. We, as a country, have finally, somehow, become old.

How We Got Old

To understand how the country has become collectively and institutionally enfeebled, we must begin by looking at the American people. Have we changed as a country since the dynamic days of the frontier, or even the more recent postwar economic boom of the 1940s and 1950s? Despite our national protestations of youthfulness, could it be that we are starting to show signs of age? As the American people get older, could their institutions be aging with them? One reason that America has always “felt young” is because *Americans were young* (Figure 1).

Compared to the Old World, Americans have always been a young people. High birth rates and high immigration rates meant that we have spent almost our entire history younger than our transatlantic neighbors. At the time Alexis de Tocqueville was touring America, writing about a nation of builders, movers, pioneers and makers, and innovators, he was looking at a country where the average person was probably three years younger than in his home country of France. While that may sound small, three years is a big gap when, for example, the average Frenchman’s life expectancy was less than 40 years.⁵ What was true of France was true of virtually all of Europe: It was just an *older place*, in terms of its demographics and its institutions, than the United States.

Given that fertility rates in America are plummeting and likely to continue their decline for some time, as I have explained in a previous report, the long-run

Figure 1. Historic Average Age for Select Countries

Source: National Statistical Offices.

rise in America's average age is certain to continue.⁶ By 2050, the United Nations forecasts that the median American will be 42 years old, and rising.

Of course, a country getting older may not be a bad thing. If a country's average age rises because the citizens are getting healthier and living longer, that is a cause for celebration. And to a large extent, that is exactly what has happened (Figure 2).

Had death rates stayed constant at 1900 levels, the average American born in 1900 would only have lived to age 47. As it turned out, improvements in sanitation, medical care, and nutrition added *decades* to the average American's life expectancy. By 2014, the average baby born in America could expect to live 79 years, assuming death rates stayed constant over their life.

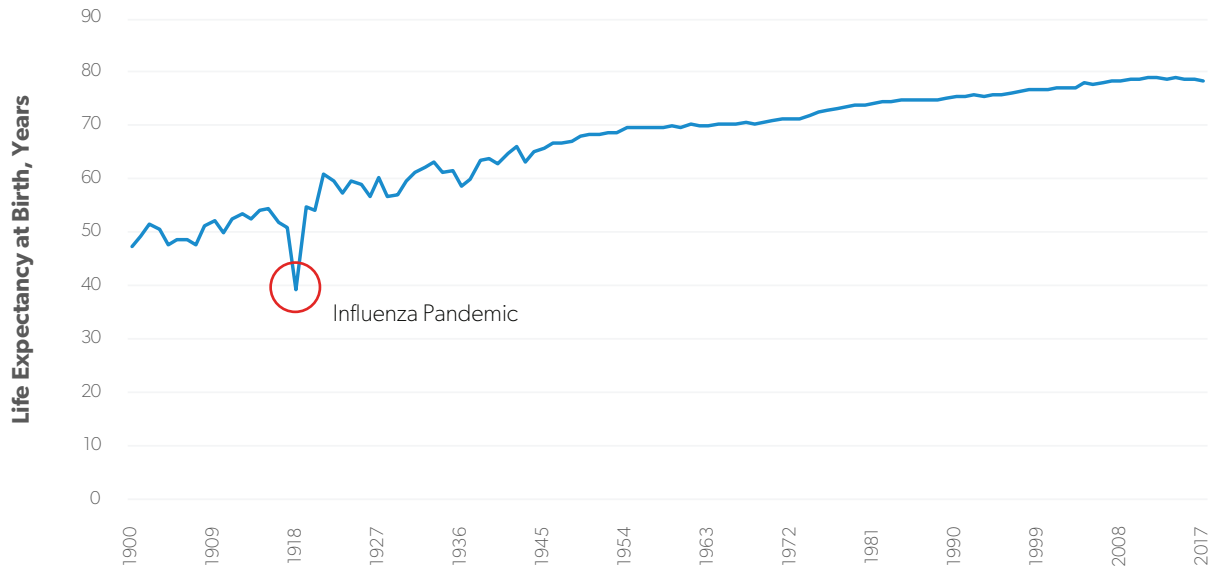
But then things began to change. Life expectancies have begun to fall (Figure 3). Just from 2014 to 2017, six entire months have been hacked off the expected American life span. This is not because we have gotten worse at adding years of life for retirees; retirees live about as long or longer than ever before. Rather, the problem is with working-age people. The odds that

a 32-year-old will die in a given year rose by almost 25 percent between 2012–14 and 2015–17. American adulthood has suddenly become more lethal than it has been in decades.

This wave of death cresting over prime-age Americans shows up for both men and women. And critically, it is decreasing life expectancy *in a way that makes the country even older*. This is a fairly rare demographic phenomenon: Usually, life expectancy increases make countries older, so decreases should make them younger. But American life expectancy is falling due to increases in deaths in the middle and bottom parts of the age distribution.

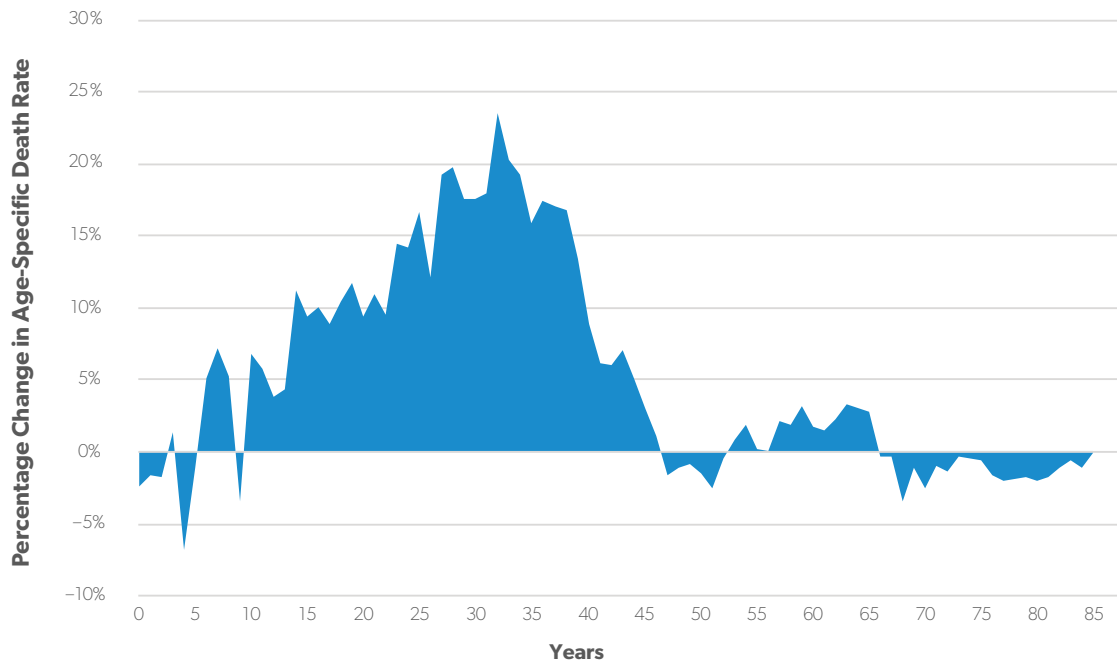
Aside from the obviously catastrophic human cost of tens of thousands of untimely deaths, the economic reality is that we are seeing a generation of workers die off right as the generation above them is about to begin claiming retirement benefits. A generation of potential is vanishing before our eyes, along with all the relationships they would have formed, communities they would have enlivened, inventions they would have come up with, and good work they would have done. This is an unrecoverable loss. In the grand

Figure 2. Historic American Life Expectancy



Source: Centers for Disease Control and Prevention, Vital Statistics Online Data Portal, https://www.cdc.gov/nchs/data_access/vitalstatsonline.htm.

Figure 3. Change in Age-Specific Death Rates, 2012–14 to 2015–17



Source: Centers for Disease Control and Prevention, Wonder, <https://wonder.cdc.gov/>.

scheme of things, human life is the great irreplaceable component of societies and economies.

Using Centers for Disease Control and Prevention data on cause of death, we can easily determine the source of these losses. Figure 4 shows the age-adjusted death rate by major category of death for people age 25–55.

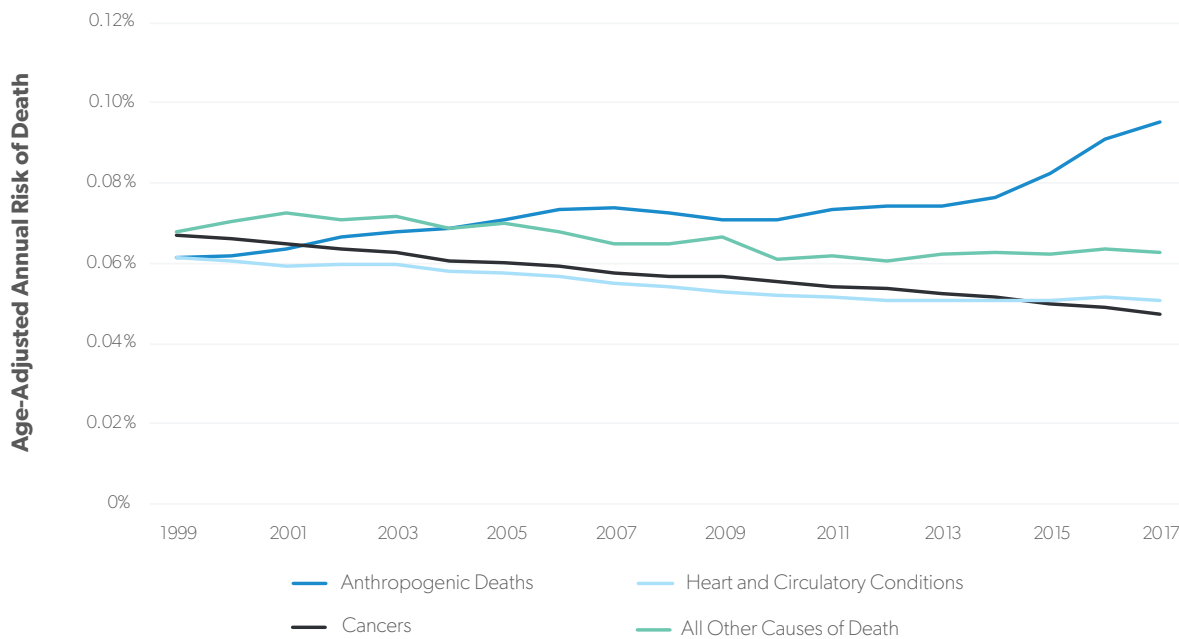
The leading cause of prime-age death is what I have labeled anthropogenic causes: things we are doing to ourselves and to each other. Prime-age cancer deaths are in decline, as are deaths due to prime-age heart disease. Other conditions are fairly minor sources of deaths and are mostly stable or falling. The entirety of declining life expectancy can be attributed to things that prime-age people are more or less doing to themselves, as Figure 5 makes clear.

Drugs and alcohol are the major drivers of reduced life expectancy in America. Suicide is also a factor,

but much smaller. In recent years, spikes in murders and traffic accidents have also contributed. But by and large, drugs and alcohol are the problem. These so-called deaths of despair have attracted a growing, and deserved, amount of attention from policymakers and pundits. Everything from automation to free trade to China to drug companies to declining religiosity has been blamed for this rise. Many of those explanations have merit.

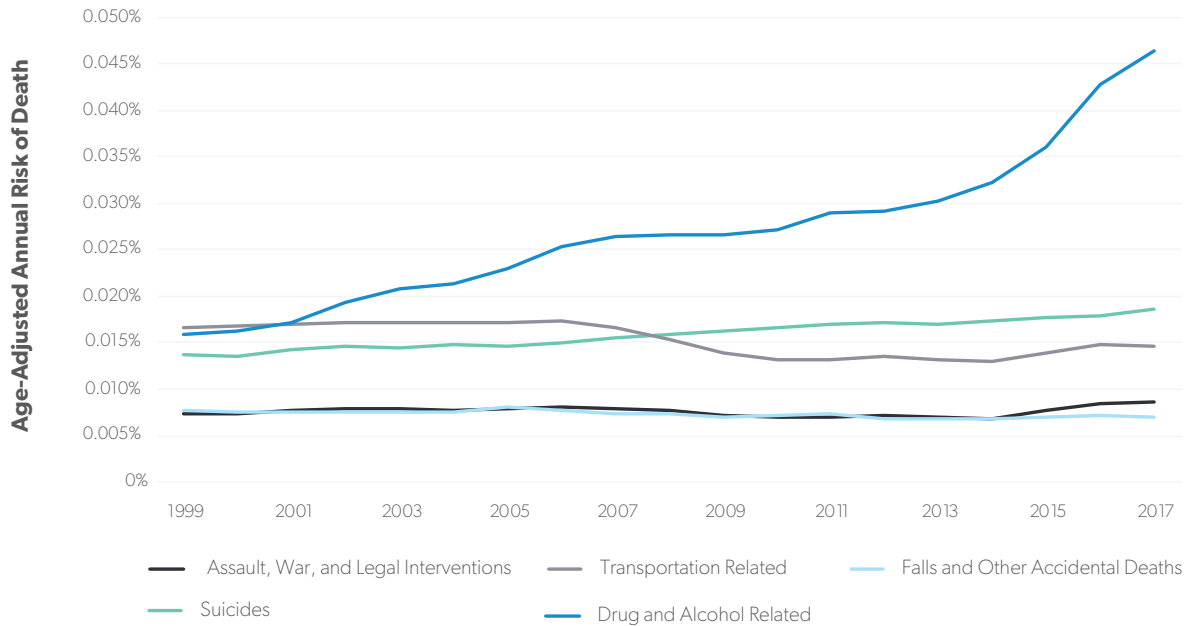
But for this report, it is simply sufficient to say that *whatever* the cause of these deaths of despair, it cannot be disputed that they reflect some society-wide problem. On one level or another, life is simply not working out for many American adults. However, with the increase in deaths of prime-age Americans alongside greater life expectancy for the aged, a disproportionate number of younger workers will need to support the older generation for decades to come.

Figure 4. Causes of Death Among Prime-Age Americans, Age-Adjusted Death Rates Ages 25–55



Source: Centers for Disease Control and Prevention, Wonder, <https://wonder.cdc.gov/>.

Figure 5. Man-Made Causes of Death Among Prime-Age Americans, Age-Adjusted Death Rates Ages 25–55



Source: Centers for Disease Control and Prevention, Wonder, <https://wonder.cdc.gov/>.

Aging America

The purpose of this report, however, is not to talk about deaths. It is to elaborate on how America became so moribund. It is not only our people who have been weighed down with time and hard experience; it is our institutions as well. Just as the baby-boomer generation rode a wave of life expectancy improvements that will not be shared by subsequent generations, so did they ride a wave of institutional flexibility that future generations will not enjoy while implementing a series of regulations for others coming behind. As a result of this wave, we have become a society of control, command, and regulation more than liberty, opportunity, and bold endeavors. We are 50 years beyond the moon landing, and we have not accomplished anything in that period of sufficient grandeur and boldness to replace “moonshot” or the “Apollo Program” as euphemisms for bold and grand designs.

The rise of a more rigid and regulated America is perhaps best exemplified in five key areas: housing regulation, occupational licensing, mass incarceration, the education-industrial complex, and public and private debt. Of course, these are not the only policy spaces in which the ossification of American society can be observed. Nonetheless, they are worth examining because these problems have had large, well-demonstrated effects on the economy and can be easily traced back to political choices previous generations made. But in each case, solutions are available to undo the damage caused and once again create a society that is more free and full of opportunity.

But before considering specific policies, it is worth noting that not only has the population aged, but American institutions have also gotten older. Institutional aging, or regime age, is measured using historical information on the dates of dynastic changes, revolutions, independence movements, or new constitutions to estimate how long it has been since an

average US state or European country has had a major change in political regimes.

Obviously, it is an imprecise estimator: Sometimes changing a constitution has minor changes; sometimes it has huge changes. Sometimes big changes in political regime have no “formal” change to foundational laws. But in general, looking at the average age of constitutions and other fundamental components of political regimes should show whether American *institutions* used to be young (Figure 6).

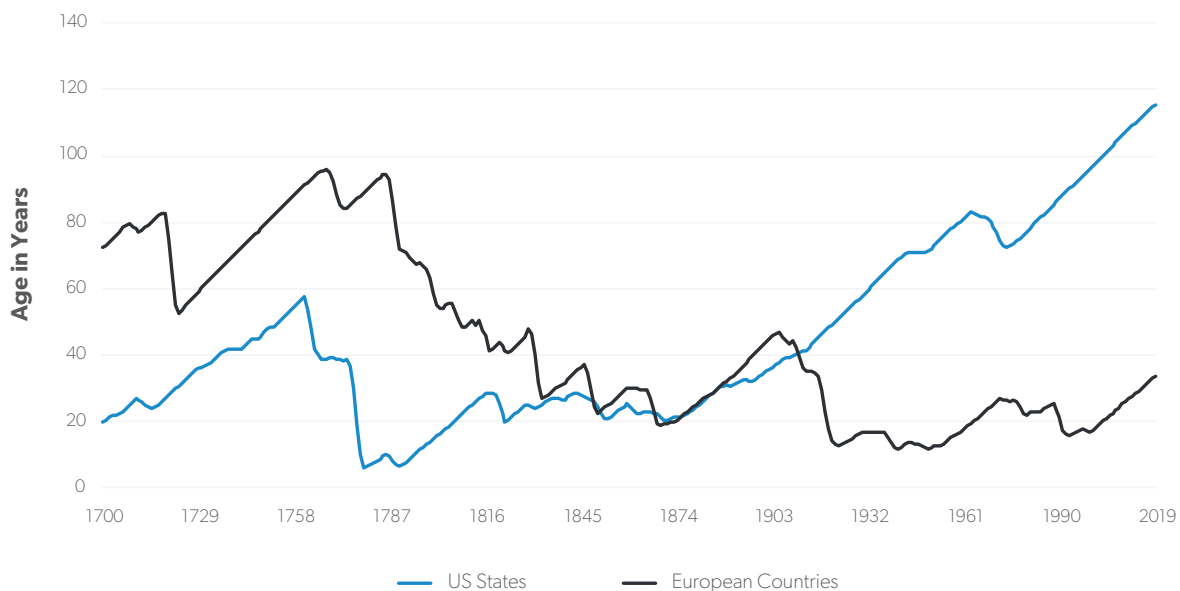
From 1700 to the Civil War, the typical American lived under a more recently established political system than the typical European. This gap was huge in the late 1700s and early 1800s but narrowed rapidly during this period: America was maturing, while Europe was torn apart by revolutionary violence. American regime age did not rise during most of the 19th century as many states peacefully implemented new constitutions, new states were founded in the West, and the disruptions of the Civil War and Reconstruction caused numerous regime changes in the

South. But since Reconstruction, US states have seen little change in their political systems.

Americans are basically being governed the same way we were in the late 1800s. Of course, the political franchise has expanded, and virtually all people have more civil and political rights, but the basic system in which these rights are expressed is largely the same. Meanwhile, World War I and II, and more recently the demise of communism and breakup of Yugoslavia, have created a birth of new governments and political systems in Europe.

It could be argued that it is good that the US system is aging. It is a sign of success; we have avoided the need for revolutions. No reasonable person would envy the disruptive experiences of Europe during the past century. But here the analogy of aging is informative: It is good to live a long life, but it is also undeniable that older people are not as flexible and energetic as younger people. So too with states. Our system has been successful for so long that, doing basically the same things, we may have forgotten how to change.

Figure 6. Average Age of Political Institutions



Source: Author’s calculations.

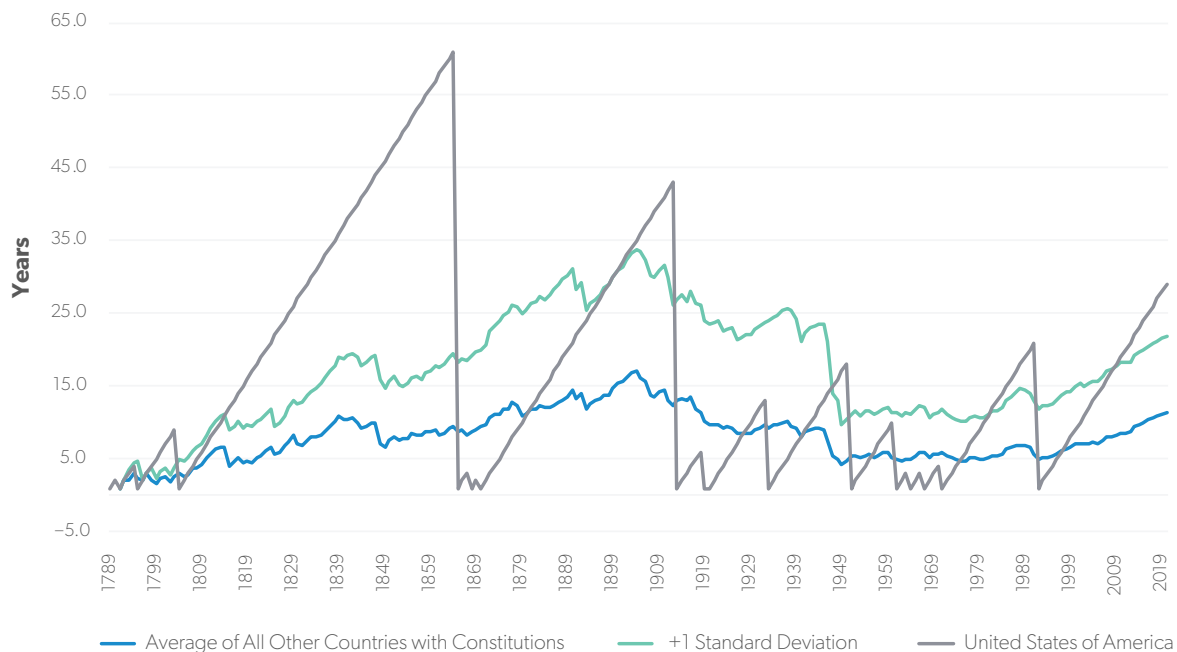
While it is infeasible to track all US state constitutional amendments, data from the Comparative Constitutions Project can be used to track the frequency of federal constitutional amendments versus amendments in other countries with constitutions.⁷ Figure 7 shows how many years had elapsed since the most recent constitutional amendment in the United States versus a simple average of all other countries with constitutions, as well as one standard deviation above the average.

As can be seen, there have been times in American history when we passed new amendments with greater frequency than other countries and times, like right now, when our system has seen fewer changes. Previous long periods of institutional stasis ended in the Civil War in the one case and in an explosion of progressive legislation and constitutional changes in the other. That is to say, long periods of resistance to constitutional amendment have not tended to bode well in American history.

They tend to be followed by extraordinary social and political upheaval, as long-suppressed political forces finally break through.

Academic research exploring why countries have a greater or lesser pace of constitutional amendment shows that the answer has little to do with constitutional structures; having a low or a high bar to pass amendments has virtually no impact on how many amendments are actually enacted. Rather, the distinct political and cultural history of a country is the main predictor of amendment behavior.⁸ While researchers do not know yet exactly why this is, the point is that the pace of amendments really is about *culture*. Institutional flexibility or rigidity, the extent to which a long-lived constitution becomes a rigid and inflexible constitution, is largely driven by cultural norms and people’s attitudes. And increasingly, it seems like an aging America is becoming a country where our institutions not only do not adapt to meet new challenges but also *cannot* do so.

Figure 7. Years Since Last Constitutional Amendment



Source: Zachary Elkins, Tom Ginsburg, and James Melton, *The Endurance of National Constitutions* (New York: Cambridge University Press, 2009).

With an increasingly inflexible constitutional system at the state and national level, it makes sense that many of our laws would show signs of rigidity and bloat.

Land Use Regulations and Zoning

There was a time in America when the government not only did not meaningfully regulate where you could build houses but also let you build a house on open land you did not own and then would *give you that land*. This homesteading policy, enacted by the Republican Party under Abraham Lincoln, was a massive transfer of productive economic capital to working-class people. It was not the dole; it did not give people income without work. But in an agricultural economy such as 19th-century America, land was the major complement to a person's labor, in terms of supporting a family. The Homestead Acts gave people a modest amount of working capital, which, if they worked hard alongside productive communities, they might be able to turn into a decent, middle-class life.

Today, the situation is quite different. For many people in America, simple things such as expanding the garage, converting a patio to a bedroom, or adding a small accessory dwelling unit in the backyard require numerous forms, or they may be illegal. Even if legal, informal institutions such as homeowners associations may compel American families to accept the petty tyranny of neighborhood busybodies to get into a good school district or have a reasonable commute.

This cultural change from liberty to regulation at the neighborhood level can be especially apparent if the people involved in an institution are constant over time. Rising life expectancy, increased aging, and *institutional* aging can all work together to produce a kind of administrative or regulatory bloat. Simply put, it may be that Americans got older and our neighborhood institutions became creaky.

It is challenging to find good data on the rise of housing and land use regulations. There is no historic, national database of building codes, land use regulations, and restrictions on new housing

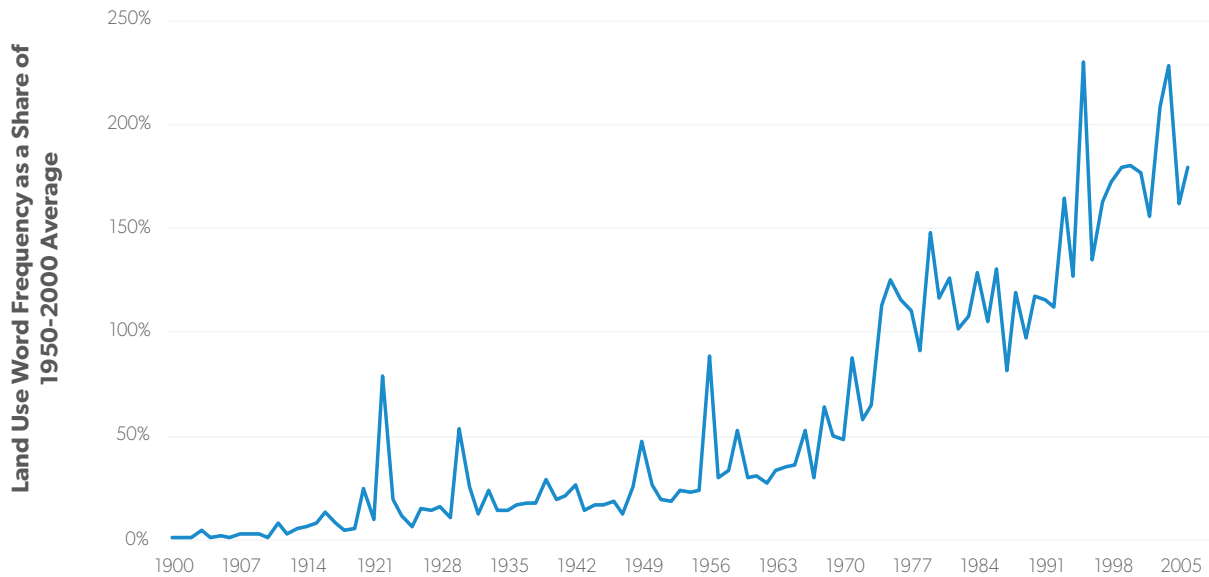
supply. Academics have tried to find various workarounds, such as the number of court cases that cite zoning or land use, but all have shortcomings. Still, by looking at how frequently a basket of housing restriction-related terms show up in the archive of books, journals, newspapers, and periodicals published in America and collected by Google, we can arrive at a decent approximation of when America changed from a country where people had a right to do what they wanted with their land to a country where neighbors can call the cops on you if your hedges are not properly trimmed.⁹

Following with prior academic research, I use a wide range of terms closely associated with restrictions to land use and new housing supply. These terms include “zoning,” “growth management,” “height limit,” “minimum lot size,” “greenbelt,” “historic preservation,” and “neighborhood character.”

As Figure 8 shows, while zoning was certainly a topic of conversation before the 1960s (the oldest citywide zoning plan is from New York City in 1916), the past 50 years have seen a dramatic uptick in public interest in and discussion of land use restrictions. That is to say, the entire political life span of the generation of Americans who are now retiring has been characterized by an unprecedented increase in restrictions on how their neighbors can use their own land. Figure 8 focuses on only *government* restrictions, but essentially the same trend can be seen for what might be called “privatized governments,” such as homeowners associations.

What motivated this change? One answer is simple economics. Changes in the economic returns to different asset classes such as stocks, bonds, and real estate made housing look like a lucrative investment.¹⁰ Recognizing this, many homeowners supported policies that increased the value of local real estate, even if doing so meant closing off their neighborhood to any new residents or shutting down the possibility of new economic development in their town.¹¹

Other factors mattered, too. The end of racially biased redlining may have motivated some people to seek other ways to maintain racially homogeneous communities.¹² The increasing importance of

Figure 8. Land Use Regulation Word Frequency Index

Note: Average of indexes for each word. Each word index is of yearly frequency, divided by the average yearly frequency for 1950–2000. Source: Google Ngram Viewer.

education for career success in America matters as well, with families becoming increasingly defensive of local school quality.¹³

But there may be another explanation: It may just be that America got old. The longer an institution exists, be it a country, a state, or a municipality, the more it tends to develop rules and norms. New organizations have short constitutions and simple rules; old organizations have convoluted bylaws spelling out every possible case, because in the long life of the organization, many unusual cases have required resolution. Those resolutions result in new rules, which constrain future choices as well, perhaps choices never envisioned by the initial rule makers.

That rigidity would be absolutely fine if it were not for one small problem. America's neighborhoods have become increasingly closed to newcomers at a time when America's population has been growing. From 1950 until today, we have added about 178 million people to our national population, more than doubling it.¹⁴ And yet we have become more

restrictive about where those people can build houses and live.

There is rising demand for housing in places where it is exceedingly difficult to build new houses. The result is a huge amount of economic loss. One team of researchers found that the regulatory burden of local land use laws far exceeds any plausible estimate of economic externalities arising from new homes.¹⁵ Another paper, reviewing an extensive prior literature, finds that land use rules raise prices, reduce construction, and reduce how quickly housing supply responds to changes in demand.¹⁶ One paper finds that an increase in land use regulations may have reduced US economic growth from 1964 to 2009 by 50 percent or more.¹⁷

There are numerous other examples, but the academic consensus is clear: The current level of land use regulation in America is bad for the economy. Rules restricting accessory dwelling units, apartments, and commercial construction have all conspired to make Americans poorer, all in the name of

protecting neighborhood character and home values. At the micro level, those losses are concentrated among younger people—people who are not homeowners yet. And as I have shown in a previous report, barriers to homeownership reduce fertility, which in turn causes *even faster population aging*.

Indeed, there is growing evidence that many localities write their zoning codes in such a way as to specifically exclude families.¹⁸ This so-called vasectomy zoning can help localities avoid the costs of paying for schools while getting tax revenues from working singles. But it makes the country on the whole older, poorer, and more miserable. This is a recipe for a country where young families live increasingly separate lives from older generations, shut out from each other's communities and cultures.

The generation now retiring, and their parents, created a massive wave of regulation in American housing, making it harder, more expensive, and more complicated to build houses. The result has been a disastrous dislocation of people over several decades, resulting in large-scale economic losses.

But luckily, the policies at fault are basically known and fixable. Minimum lot size rules can be repealed. Maximum building heights can be raised. Bans on accessory dwelling units can be undone or never passed in the first place. Parking requirements can be reduced. Building codes requiring unnecessarily expensive materials can be updated to reflect modern scientific standards. There are solutions readily at hand, but they will involve changes to settled neighborhoods, such as letting newcomers into established communities, reshuffling school districts, and allowing other changes that may be hard for an increasingly settled country to accept.

Occupational Licensing

Postwar America has not only seen an explosion in regulation of how people use their land. It has also seen an explosion in regulation of what work people are allowed to do. Much as the sclerotic Roman Empire under the dictatorial emperor Diocletian established new rules forcing many young people to

work in specific, designated careers, so too the aging American empire has begun to retreat from its long tradition of having an open and flexible labor market.

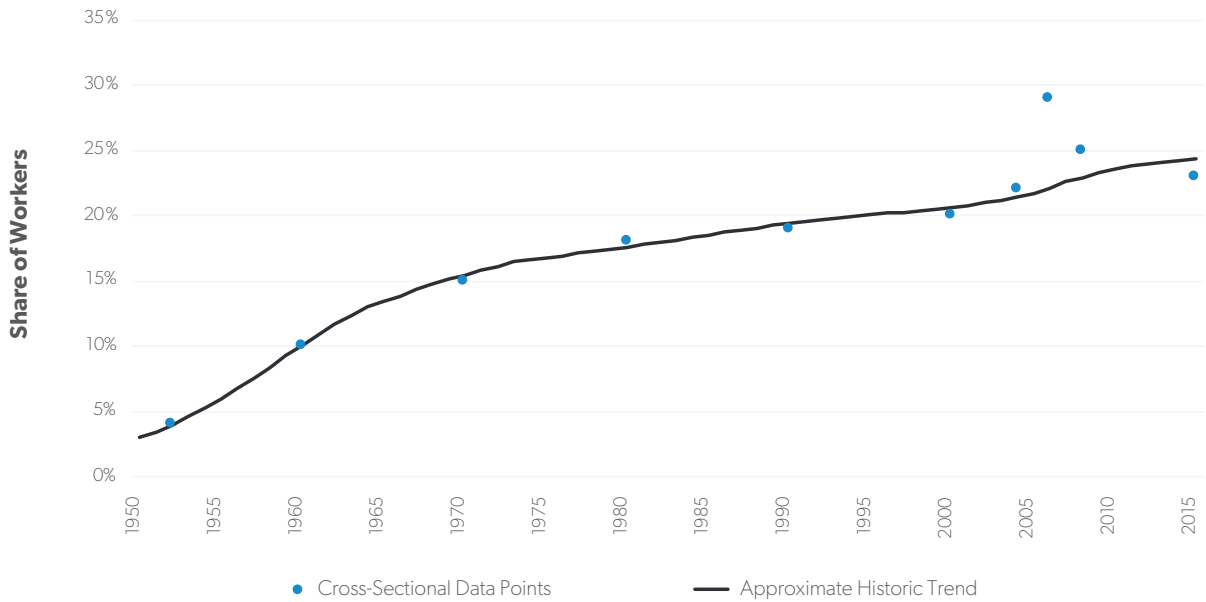
There are at least some national data on occupational licensing, unlike land use regulation, making analysis a bit easier. While there is no single consistent time-series data source for occupational licensing, various sources—including surveys by the Bureau of Labor Statistics or the US Census Bureau, work by the Council of State Governments or the National Council of State Legislatures, and even privately commissioned surveys—can be mustered together to give a general sense of how occupational licensing has changed over time (Figure 9).¹⁹

Just like land use rules, work rules certainly existed in the past, but they really exploded in the 1960s and 1970s. Occupational licensing is, for the most part, a distinctive policy product of the past few decades, and the number of Americans working in fields that require licensure is rising. This is mostly due to increasing density of license requirements, not a shift in the composition of the economy. Data collected by the Institute for Justice reviewing licensing standards for a subset of occupations across states in 2012 and 2017 can be used to demonstrate this trend.²⁰ Using the 46 occupational categories they reviewed in both years, it is possible to determine whether licensing became more common in those fields.

With 46 occupations and 50 states and the District of Columbia, there could be up to 2,346 state-license pairs in the data. In 2012, there were 965 such pairs that actually required a license. In 2017, there were 988. In other words, 23 new licensing requirements were introduced in this data set between 2012 and 2017. Plus, the licenses that already existed became tougher. The average real price of a license rose from \$73 to \$92 over the period, and the average number of hours of work lost to training requirements and wait time for a license rose from 101.7 hours to 104.3 hours.²¹ Rules about minimum test scores and minimum ages for a license were tightened as well.

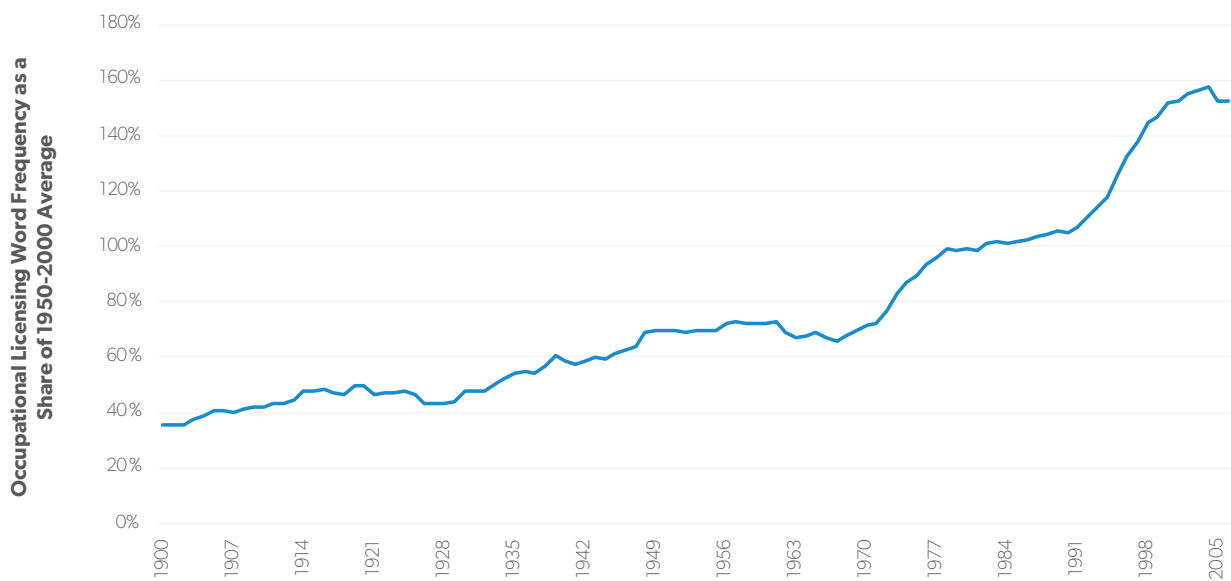
Finally, the same word-search method used to demonstrate the rise of zoning can be used to demonstrate the historic rise in occupational licensing (Figure 10). I track an index of licensing-related

Figure 9. Estimated Share of US Workers Who Hold a License for Their Work



Source: Various sources for year-specific estimates, including National Council of State Legislatures; Council on State Governments; Gallup; and US Census Bureau.

Figure 10. Occupational Licensing Word Frequency Index



Note: Average of indexes for each word. Each word index is yearly frequency, divided by average yearly frequency for 1950–2000.
Source: Google Ngram Viewer.

words such as “board certified,” “certification,” or “licensure” in American English publications.

As America has aged, our labor rules have become less flexible. A young American cannot just pick up and become an auctioneer if they want to: 30 states require a license, and many of those have a minimum age requirement. Further, an auctioneer’s license costs around \$160 and may require over 50 hours of training. All of that is required, just to be able to sell things at auction. Louisiana even requires a license for a person to be a *florist*, complete with an exam and a nearly \$200 fee.

There is no justification for the government to require a license to sell flowers. Indeed, philosophically speaking, the government has no right to impose *any* licensing requirements for work, unless that work could seriously harm a person if done poorly. Licensing makes sense for surgeons and pharmacists. It does not make sense for tree trimmers (seven states) and *unarmed* private security guards (34 states).

The spread of licensing has had numerous damaging effects. Greater prevalence of occupational licensing at the state level allows licensed professions to get higher wages than they would otherwise get, at the cost of fewer jobs created in those fields. The result is higher inequality.²²

This outcome has been demonstrated in Norway too. Compared to other forms of occupational closure such as unionization, licensing tends to shift more income toward elites.²³ Given the level of public interest in issues of inequality, it is surprising that more attention has not been given to the role of licensure, which directly restricts economic mobility, reduces working options, and boosts inequality. Strict licensure rules are an explicit mechanism the government uses to artificially increase inequality, and yet, amid widespread concern over inequality, states keep adding new licensure rules.

Of course, advocates of licensure would say that these rules are needed to ensure that service providers provide services that meet a suitable standard. But, empirically, it simply is not true that licensing rules improve service quality. In Germany, stricter licensing has been shown to increase prices of services while reducing the amount of those services provided, and

all *without any improvement in service quality*.²⁴ That is to say, in many industries, especially those where there is little or no safety concern, licensure has truly no effect on the quality of service provided.

Finally, occupational licensing reduces interstate migration, as it creates extra hurdles for licensed workers to get a job in a new state.²⁵ That is to say, strict licensure rules make us a more settled, stuck-in-place kind of society.

Explanations for the rise in licensing run from the pejorative (established workers just want to greedily hoard their gains) to the credulous (actually, unlicensed florists might hurt someone by accidentally misidentifying a flower genus) to the structural (the decline in unionization has led to increased demand for alternative forms of occupational closure). But one simple explanation is that the rise in occupational licensing is at least *partly* not about the occupation at all: It is about a country that is getting older, more settled, and so set in its ways that it is afraid of anybody rocking the boat. As the population ages, and as the institutions themselves age, the demand for new regulations to make sure nothing goes wrong increases.

A larger share of older workers, possibly using outdated techniques and facing imminent retirement, will naturally be sympathetic to the idea of requiring new competition to jump through some extra hoops. And if the data on the rise of licensing are correct, then it is evidently not terribly hard to convince state legislatures to add new licensing requirements. But once on the books, such rules are hard to remove.

The result is that a growing share of young people who may want to and be able to work are legally shut out from work. They become dependent on transfers, welfare, or the generosity of their friends and families, instead of contributing members of society. They cannot afford homes because tight zoning drove up house prices, and they cannot get a job because they do not have the proper licenses.

So how will these young people redirect their life, if not toward working-class jobs and building a family in a starter home? Many, lacking options and opportunity, end up in prison.

Incarceration

Providing public peace and order is the first job of government. As such, how the government deals with crime and criminals is one of the most fundamental measures of its competence and its legitimacy. While some of the rise in incarceration rates can be traced to certain historic waves of crime, increased incarceration rates are also part of a larger trend toward more stringent rules and overregulation at all levels of society. Just as postwar America saw increasingly strict regulation of work and housing, so too did it eventually see a strict tightening of criminal enforcement.

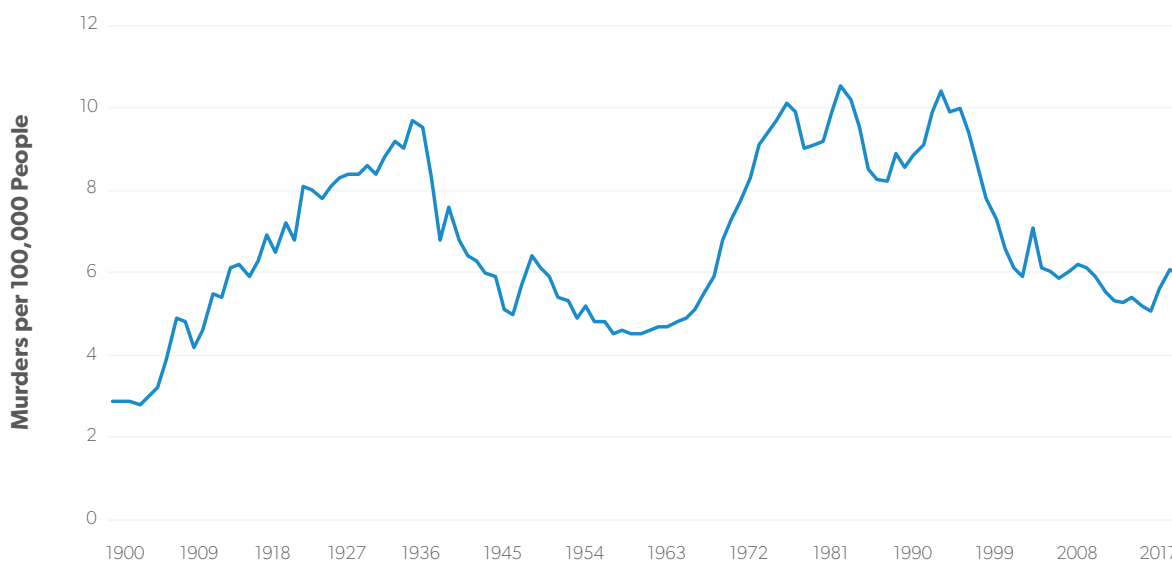
Facing a wave of crime, Americans in the '70s, '80s, and '90s cracked down on criminal sentencing: The death penalty was brought back, and fewer inmates were released from prison. Eventually, militarized police units such as SWAT teams were introduced. Today, some local police departments even have *tanks*.²⁶

This reaction to intensify law enforcement efforts in response to a crime wave was entirely understandable. America's cities by the late 1980s were becoming almost unlivable.

The national murder rate *doubled* from the 1950s to the 1970s (Figure 11). The frequency of murder returned to the levels experienced during the worst days of Prohibition-era violence then stayed there for nearly 20 years. This traumatic experience motivated a crackdown on crime, but it also probably played a role in the other trends noted in this report. The crime wave likely pushed many middle-class voters to be more defensive of their neighborhood's and school's characteristics than they might otherwise have been. Indeed, it probably motivated a generalized sense that society was becoming uncontrollably chaotic and thus needed a firm regulatory hand.

But then, over the 1990s, the murder rate began to fall. Some of this was due to increased public investments in police and prisons. But mostly it was not.

Figure 11. National Murder Rate



Source: Our World in Data; Centers for Disease Control and Prevention, Wonder, <https://wonder.cdc.gov/>; and FBI Crime Data Explorer.

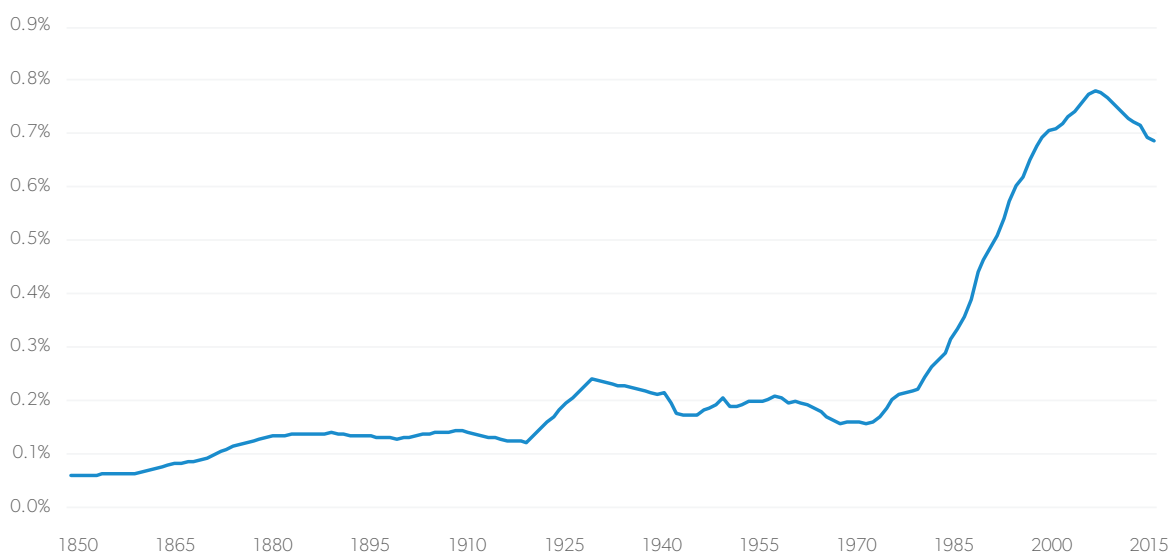
Many other countries with different laws and policies experienced similar trends in murder rates.

It turns out, these trends all closely correspond to lower exposure to lead among later generations thanks to the de-leading of gasoline for cars. This same wave of car-induced lead poisoning was also responsible, researchers have found, for killing off millions of infants over several decades and may provide a possible explanation for the dramatic decline in crime.²⁷ In other words, the murder rate was brought back under control not just through law enforcement efforts but also through various factors, including the environmental movement. Since the 1990s, the murder rate declined for a while, spiked again quite recently due to cartel-motivated violence, but is now falling again. But while the murder rate has fallen (and, correspondingly, the rate of criminality in general), the incarceration rate, which mostly affects young males, has had a much more modest change (Figure 12).

It is necessary for society to keep dangerous criminals away from the public. But much of this incarceration was due to a rise in nonviolent and drug offenses. Academic research has shown that the growth in incarceration was vastly out of proportion to the growth in actual criminality and a direct result of harsher enforcement in black communities.²⁸ Thus, correspondingly, the incarcerated share of the population has not fallen by even a fraction as much as the murder rate. Our justice system continues to operate as if we are in the middle of a massive crime wave, when in fact murder and other crime rates are near the levels seen in the 1950s.

But while the incarceration rate is falling, to a large extent, the damage has already been done. Ex-inmates experience severe negative repercussions to their future employment and family potential, even if their crimes were totally nonviolent.²⁹ While evidence on intergenerational effects of incarceration are mixed, at least some research suggests that

Figure 12. Share of the Population Incarcerated



Source: IPUMS, Decennial Censuses; US Department of Justice, Bureau of Justice Statistics, "Prisoners 1925–81," <https://www.bjs.gov/content/pub/pdf/p2581.pdf>; and US Department of Justice, Bureau of Justice Statistics, "Historical Corrections Statistics in the United States, 1850–1984," <https://bjs.gov/content/pub/pdf/hcsus5084.pdf>.

incarcerating a parent makes kids worse off.³⁰ And while some evidence shows that prison work-rehab programs can work well, especially for young inmates, most prisoners in America do not benefit from these programs.³¹

Meanwhile, years of languishing in prison during formative early adulthood prevents inmates from developing healthy adult habits around work and family life.³² In parts of society where many young males are incarcerated, for example, in many inner-city African American neighborhoods, the prevalence of incarceration corrodes the whole society's norms and expectations around work and responsibility. While prison is no vacation, it also is not a square job and a family, and it does not make inmates better, more productive citizens afterward.³³

Historically, the boom in incarceration closely coincides with the other regulatory booms explored in this report. Of the three regulatory waves I have discussed, the wave of incarceration had the most obviously reasonable origin: a genuine, real-world crime wave. But the slow decline in incarceration is harder to explain. While the rise in incarceration might have happened in any society struck by similar forces, the prolonged incarceration of a huge share of the population seems to reflect something else. As with occupational and land use regulations, with criminal justice, Americans in the latter half of the 20th century simply assumed that the path to a better society was making more rules and regulations, restricting individual freedom to an increasing degree, and handing the government more power to make decisions on individuals' behalf.

The solution to this problem, of course, is simple: Commute the sentences of nonviolent offenders, reduce incarceration of new nonviolent offenders, and improve rehabilitation programs across the board. While the main purpose of prison is *punishment*, not *personal improvement*, society ultimately punishes itself if it creates a permanent underclass of ex-cons who can never get another good job or support a family. Their kids will grow up poorer, their communities will be fragmented, and they will need far more government support for basic living. If we want a dynamic American economy with healthy communities, we will need

to lock up fewer young sons, husbands, and fathers for nonviolent offenses, and, even when we do imprison them, we will need to do better at helping them reconnect with society once they pay their debt to society. Of course, the problem of a more rigid and regulated society does not just affect poorer, more fragmented communities. The highest achievers in our society face increasingly restrictive rules for living as well.

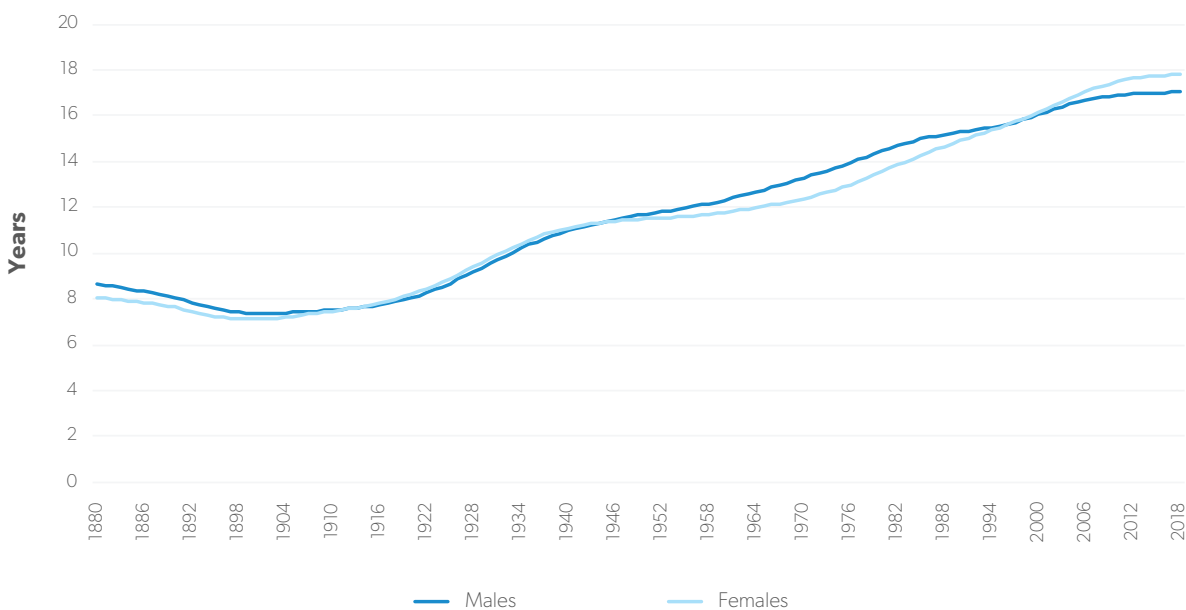
The Education Trap: More School, Less Knowledge

Education is a good thing: A better-educated society is likely to be more productive, richer, and more equal and have better-functioning institutions. As countries get richer they tend to invest more in education because higher levels of productivity demand increasingly diverse and sophisticated skills for work. These skills in turn take more training to acquire. Thus, to some extent, rising educational attainment in society may cause higher productivity, and it may itself be caused by a high degree of economic and technological sophistication.

But this story is more complicated when you look under the surface. Some schools are better than others, which means that simply adding more years of education does not ensure a person acquires more skills.

Arguably, education is about not only *skills acquisition* but also *credentials*. As explained for occupational licensing, many of the credentials that society demands are basically worthless. Society does not benefit from requiring a license to sell flowers, nor would it benefit if we required a master's of performing arts to play an instrument. But practically speaking, many jobs that do not *legally* require a license nonetheless *practically* require a specific degree. And while the degree *might* mean the job applicant has important skills, large numbers of Americans work in fields totally unrelated to their degree. To some extent, a university degree is the occupational license for office work.

To see the historical force of education as credentialing in action, we can examine different trends in educational *enrollment* versus educational *attainment*.

Figure 13. Expected Enrollment Years

Note: For a person age 30–40 in a given year, the figure estimates the person’s lifetime years spent enrolled in education.

Source: IPUMS, Decennial Censuses; and IPUMS, American Community Surveys.

Figure 13 uses educational enrollment data from the Census Bureau going back to 1850 to estimate how long a 30–40-year-old in a given year had spent in schools.

From 1850 until 1940, the number of years a typical American spent in school was roughly stable. During this period, the typical American got at least a middle school, and typically some high school, education.

But after World War II, the GI Bill helped hundreds of thousands of young Americans go to college. But it was not just the GI Bill affecting college attendance rates. States made huge investments in their universities, a new wave of scientific advancement was making economic processes more complex, and businesses needed workers with new skills. As a result, people spent more years in school.

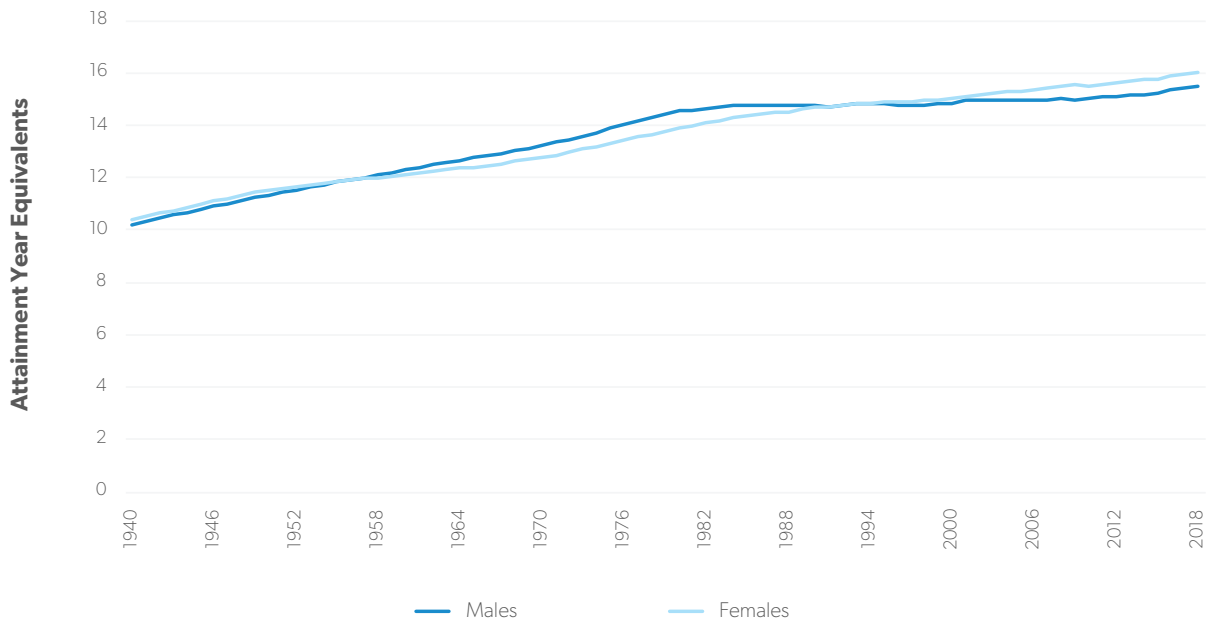
The result of more years in school has historically been higher educational attainment. Figure 14 shows average years of education typically required for the degree held by the average person. This may sound complicated, but it is actually simple: A college degree

“should” take four years to get. A master’s “should” take two, generally. Including kindergarten, finishing high school should take 13 years of education in total. I take the educational attainment of each person, add up the years it “should” have taken to achieve each person’s highest level of education, and then divide by the total number of people, for Americans age 30–40 in a given year.

While educational attainment for men essentially stagnated between 1980 and 2010, since 2010 male educational attainment has been rising again. Female educational attainment has risen steadily since 1940.

The figures, however, show a striking feature. The number of years young people could expect to spend *attending school* over the 20th century rose considerably more than the *highest level of degree they could expect to attain*. The changing relationship between school attendance and attained education can be seen by simply subtracting a 30–40-year-old’s attained grades of education from the average value of enrollment years, shown in Figure 15. If enrollment

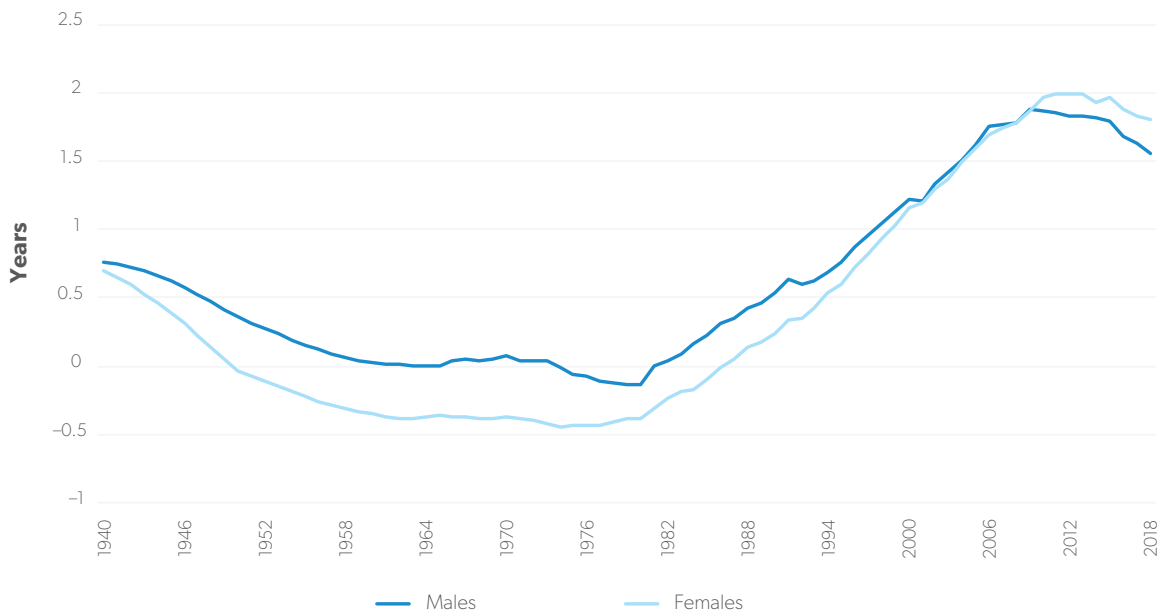
Figure 14. Average Years of Education Attainment, Age 30–40



Note: Values reflect the years of enrollment it would normally take to attain the highest degree a person has, assuming he or she completes normal course requirements on time. The average value of this year equivalent for attainment is then identified for males and females.

Source: IPUMS, Decennial Censuses; IPUMS, American Community Survey; and US Census Bureau, Current Population Survey.

Figure 15. Years Spent in School Minus Attainment Years Completed, Age 30–40



Source: IPUMS, Decennial Censuses; IPUMS, American Community Survey; and US Census Bureau, Current Population Survey.

years are bigger than attainment, it means more years spent in school are not yielding a higher total educational attainment.

Young people today are spending more years in school *but not getting a commensurate increase in their highest credentials*. This could be because young people today are taking longer to finish school. Or it could be that more of them are reaching for higher credentials than in the past, and they simply do not make the cut. This more-overreaching hypothesis is part of what is implied when a person suggests that young people would benefit from more vocational training instead of going to college. It may even be that unqualified students are reaching for credentials they will never earn, not because they are too optimistic, but because self-interested student loan companies, academic advisers, and ambitious parents have given them poor advice. We allow young people to make life-altering educational decisions attached to tens of thousands of dollars of debt when we do not even trust them with a drink.

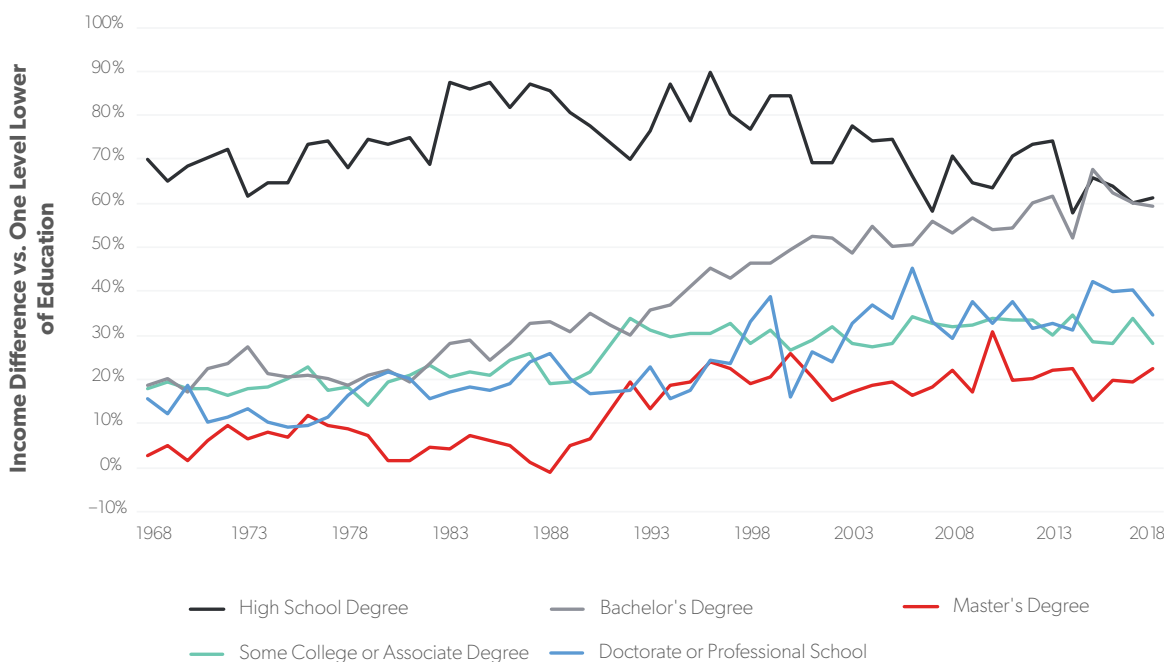
But there is another explanation. It may be that more students are getting duplicative degrees: They got a degree, entered the workforce, and after some time discovered that their degree did not really train them for the work they wanted to do, so they returned to school. This is perhaps the most concerning of all interpretations, as it suggests that more years of life spent in school are being spent for classes that are *less and less useful*, requiring more students to do additional, later coursework.

College Degrees: Signal, License, or Useful Knowledge?

Still, the education that students do eventually receive may be valuable and worth however long it takes to get it.

Figure 16 shows, for 30–40-year-olds, the increase in family per capita income that is associated with each successive increase in education. So, for example, in

Figure 16. Per Capita Household Income Gain Associated with Each Degree vs. Next Lower Attainment Level



Source: IPUMS, Current Population Survey.

the mid-1990s, having a high school degree was associated with having 90 percent more family income per family member. This metric is different from wages or hours, because education may also change how many hours a person works, whether they become employed, who they marry, or how many kids they have. But what it shows is clear: At every level, being better educated is associated with higher incomes.

That effect is, if anything, growing. While the benefit to a high school degree versus not completing high school has fallen since the 1990s, the benefit associated with every other rung up the educational ladder has risen over time. Attending a year or two of college or getting an associate degree used to be associated with about a 20 percent higher income level. Today, it is about 30 percent. Getting a bachelor's degree used to be associated with about an extra 20 percent bump in income; today, it is about a 60 percent bump. The gap between college graduates and noncollege graduates is today about the same size as the gap between completing high school or not. Getting a master's or professional degree yields a smaller income gain, but the size of those gains has risen over time.

But while the college earnings premium continues to be high, it is not totally clear *why*. Is it about useful knowledge or that, once again, society demands an arbitrary license for certain jobs?

If college boosts earnings by giving students advanced technical knowledge that is useful in the workforce, then we would expect that graduates working in occupations closely related to their degrees would have higher earnings than other people working in those occupations who have less closely related degrees. An engineer with an engineering degree “should” make more money than one with a music degree, if in fact engineering degrees confer useful knowledge and skills. Graduates should be able to command higher wages in fields where they have acquired relevant skills.

For example, looking at engineers age 30–40 who have only a bachelor's degree, and controlling for sex differences, the highest-earning *engineers* are indeed those with *engineering or other related degrees* (Figure 17).

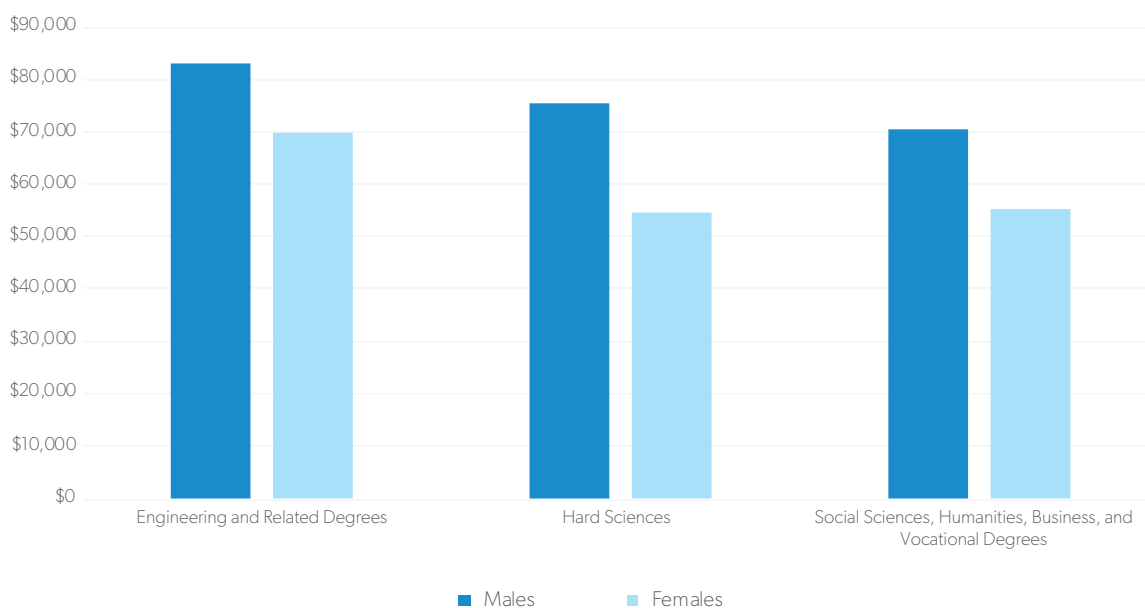
In other words, actually having formal training in engineering really is associated with higher earnings, suggesting that an undergraduate engineering curriculum probably does transfer some genuinely useful skills for this job. But it turns out that engineers often make more money than their peers when working in occupations unrelated to engineering.

When controlling for age, sex, and occupation, having an engineering or related degree is associated with 5–12 percent higher earnings, even if this engineering degree holder is working as a therapist or dental hygienist. Of the several hundred occupational categories with enough data, people with an engineering degree make statistically significantly higher earnings in about 27–40 percent of them, while only making significantly lower earnings in about 15 to 20 percent of them. In other words, having an engineering degree boosts earnings *for people working as engineers* by about 10–30 percent, but having an engineering degree boosts earnings *even in occupations not closely related to engineering* by about 5–12 percent.

Subject-specific knowledge acquired in undergraduate engineering programs can account for perhaps half of why people with engineering degrees make more money. But what about the other half? Maybe smarter people get engineering degrees, maybe degrees act as a kind of license to work in a broad range of jobs, or maybe it is something else entirely. But not all degrees are created equal.

Take, for example, communications-related careers, a cluster of occupations that includes editors, journalists, announcers, PR people, and writers (Figure 18). This group has fairly specific skills that not everybody has, and there are undergraduate majors clearly designed to teach those skills, such as communications and English degrees. And yet, the highest-earning men in these fields have degrees in public affairs, economics, physical fitness, music, or even agriculture. For women in these fields, there is a *slight* advantage to having a communications degree, but it is quite small.

The benefit of subject-matter expertise acquired as a result of a communications degree for a person working in a communications field ranges from 10 percent *lower* earnings to about 15 percent *higher*

Figure 17. Earnings of B.A.-Holding Engineers by College Degree

Source: IPUMS, American Community Survey, 2013–17.

earnings, indicating that communications degrees do not seem to yield a lot of specific knowledge that is useful for even the *intended* career fields. And across occupations, communications degree holders tend to do worse as well: A communications-related degree is associated with between 9 percent lower and 5 percent higher earnings, conditional on age, sex, and occupation. Fields where a communications degree holder tends to have lower earnings outnumber fields where a communications degree helps by nearly 3-to-1.

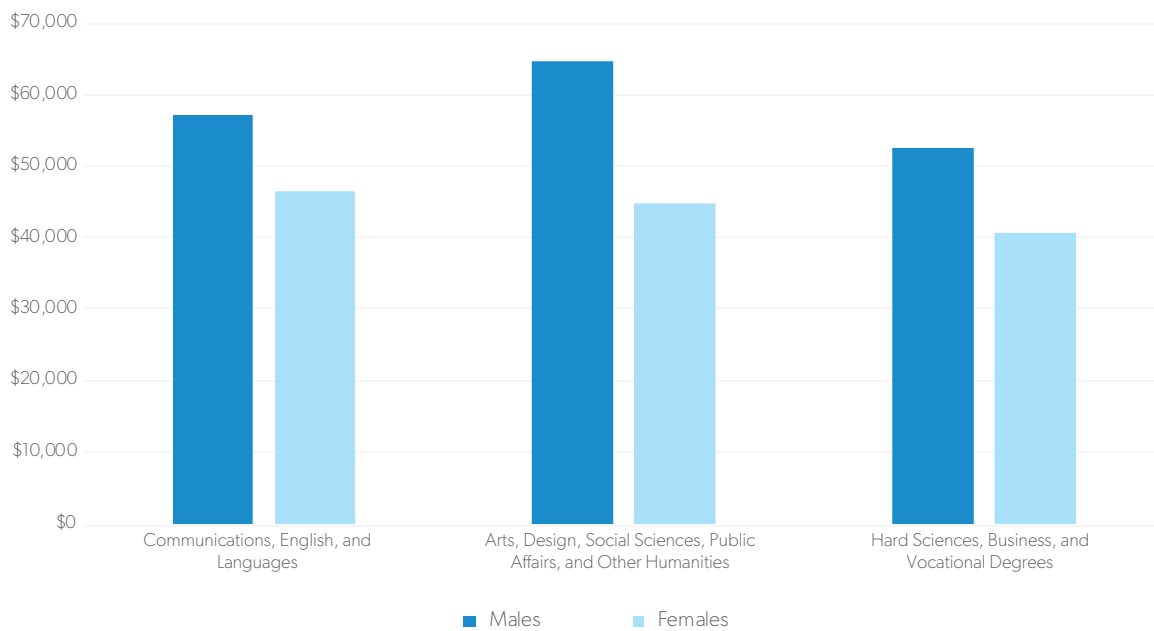
While universities do add a lot of skills and knowledge for some students, the impact of a degree on future earnings depends a lot *on the exact degree* and, more broadly, the university attended.³⁴ Strikingly, much of the growth in college graduation in recent decades has been driven by degrees associated with comparatively little no positive earnings differential. Among people of age to be done with their education and approaching the peak of their career, the fastest-growing degree groups from 2009 to 2017, as reported by the American Community Survey, were fields such as cosmetology, construction services,

communications, physical fitness, and fine arts. These are not fields that command massive earnings premiums, and many could be covered in an associate degree as easily as a bachelor's, saving students time and money.

In fact, while the *relative* benefit from going to college has risen over the past few decades, the *absolute* benefit has not. Again among 30–40-year-olds, and adjusting for family size and inflation, higher degree holders have seen hardly any income growth in decades (Figure 19). Their increasing relative earnings are not due to rising earnings for the educated, but rather falling earnings for the uneducated.

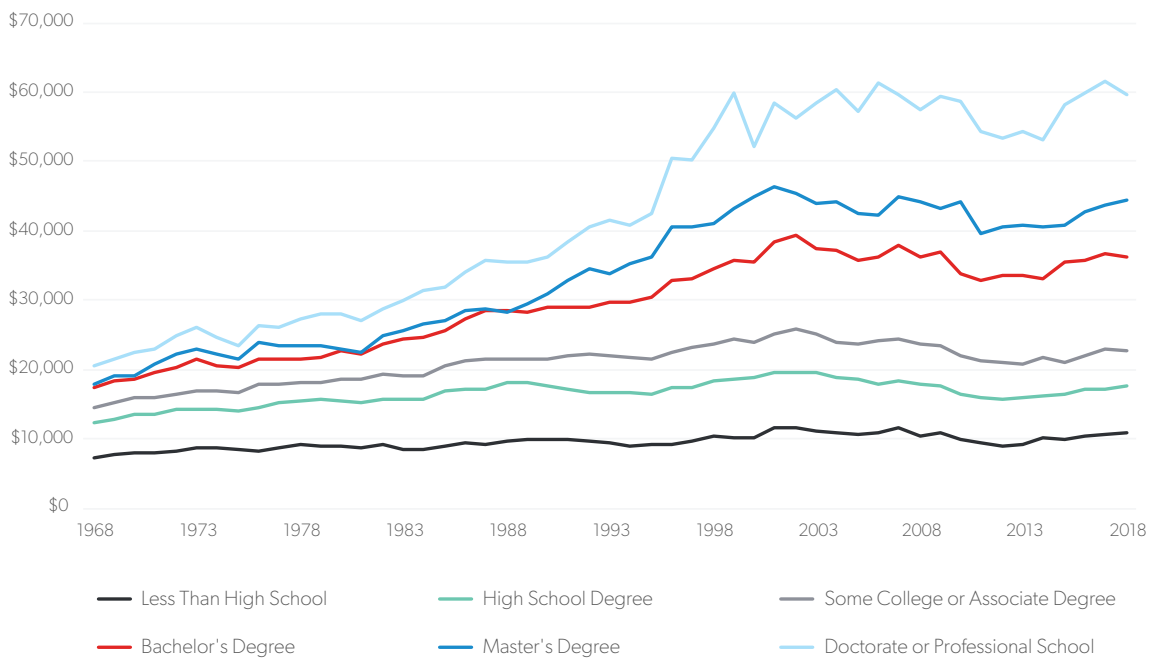
Americans are getting better educated. That education does come with some real improvement in skills, knowledge, and productivity. But some of it is simply driven by the need for a white-collar occupational license, a marker to employers that a worker has passed an often arbitrary test and acquired skills that will never be necessary for their job. Some commentators call this “signaling,” sometimes even seeming to suggest that young people’s pursuit of these

Figure 18. Earnings of B.A.-Holding Communications-Field Workers, by College Degree



Source: IPUMS, American Community Survey, 2013–17.

Figure 19. Per Capita Family Income by Educational Attainment



Note: The figure includes average household income for a given educational group, divided by that group's average household size and adjusted for inflation using the personal consumption expenditures price index deflator.
 Source: US Census Bureau, Current Population Survey.

meritocratic signals reflects poorly on them, rather than poorly on employers.

But in reality, much as the aging of America has brought about a rise in *formal* occupational licensing, so too there has been a rise in *informal*, degree-based occupational licensing. The generation or two above millennials *expects* good workers to have college degrees, or even master’s degrees, to perform entry-level work. As a result of this rise in informal occupational restriction, young Americans are obtaining ever-higher degrees of educational attainment.

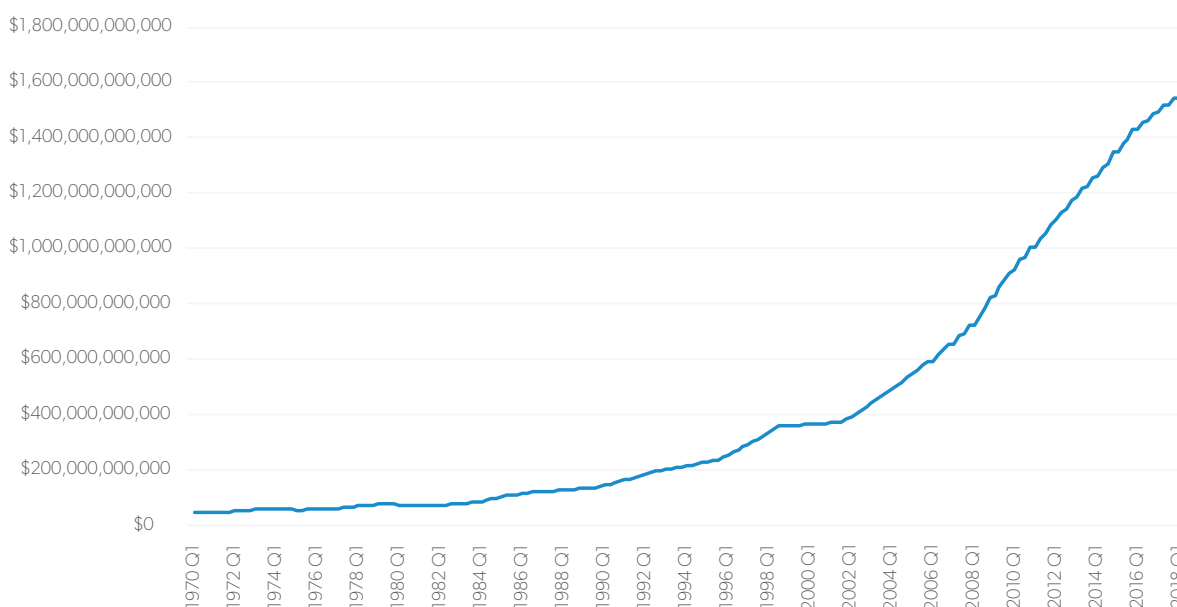
But in a double whammy for these young people, as described in the previous section, it is taking longer to actually *finish* school, thanks in some part to the rising need for more classes, workshops, and additional degrees to be suitable for a given job. When they do finally achieve this higher degree of educational attainment, American young adults

do find that it helps them end higher up the economic ladder. Sometimes, this is because their college degrees afford them actual skills and knowledge relevant to their job, helping them advance faster and earn more. But quite often, it is just because employers see a college degree as a signal, or informal license, of basic competence, as they once saw a high school degree. And while more education helps young people claim a higher rung on the ladder, it is not because they are standing taller; it is because the ground is falling away down at the bottom.

Student Loans

The educational situation facing young Americans would be bad enough if it were only as already described. But it gets worse: The incomes of highly educated people have stagnated, even as college

Figure 20. Estimated Outstanding Student Loan Balances, 2018 Dollars



Note: Inflation-adjusted to 2018 dollars using personal consumer expenditures implicit price deflator. 1970–89, interpolated from 1989 based on change in non-real-estate household credit growth and plausible educational loan shares.

Source: Federal Reserve Bank of St. Louis, “Student Loans Owned and Securitized, Outstanding,” 2006–18; and Federal Reserve Bank of New York, Survey of Consumer Finance, 1989–2006.

prices have skyrocketed and student loan balances have exploded (Figure 20).

Student loans have been shown to delay many key transitions to adulthood, such as marriage and childbearing.³⁵ And as I have already argued, these loans may be partially paying for an asset that does not add much value for society—a useless credential.

Data from the Survey of Consumer Finances can be used to match household indebtedness to income, age, and education characteristics (Figure 21). Looking at households headed by someone with a college degree or more and between the age of 30 and 45, we can see how much money these households are spending on student loans.

While the overall share of income paid is small, it is increasing. And while 1–2 percent of income paid to loans may sound small, this is among all college-educated households between ages 30–45—people who have been out of school for at least a few years, and some for perhaps two decades or more.

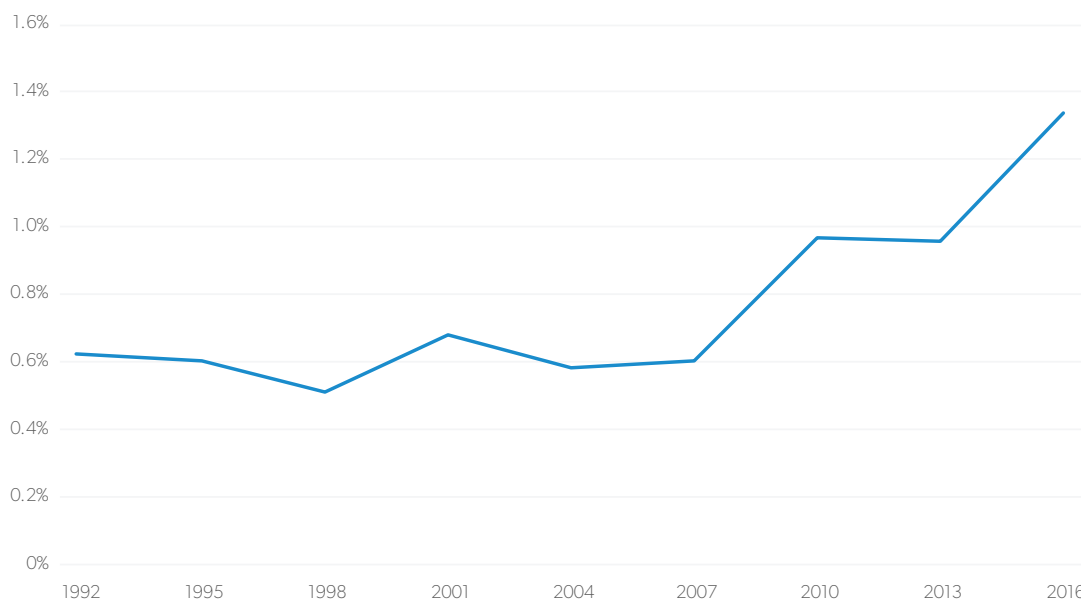
Student loans are hitting households for more of their working life span.

Another way to look at this is simply to ask: From age 23 to age 45, when you add up total payments and compare to household income, how many months of their average income did indebted people pay to their creditors (Figure 22)?

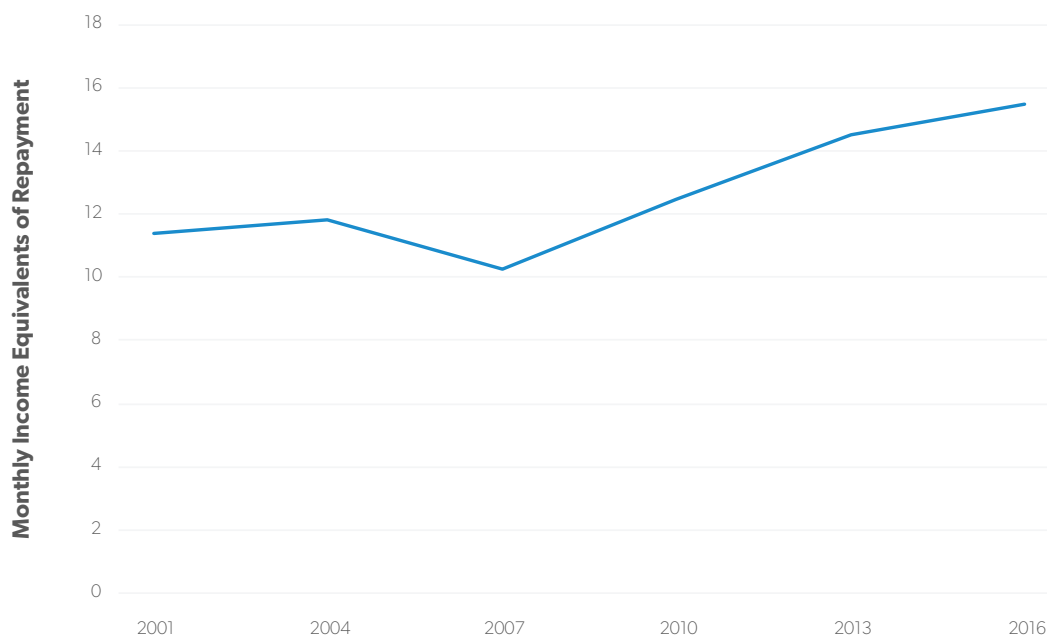
In the early 2000s, the average household with any debt paid about *one full year of earnings* for their student debt. The idea that debt might eat an entire year of a worker's productivity is striking. But in the 2013 Survey of Consumer Finances, that figure rose to well over 14 months. In 2016, it was over 15 months. Student loans are claiming more of graduates' wages.

In other words, American education is broken. Young people are spending more years enrolled, at greater cost, for degrees that are largely about meeting informal or formal licensing requirements set by older generations. Even with this license for office work, graduates face income stagnation and less prosperity than previous generations.

Figure 21. Annual Student Loan Payments as a Share of Income



Source: Federal Reserve Bank of New York, Survey of Consumer Finances.

Figure 22. Monthly Income Equivalents of Repayment

Source: Federal Reserve Bank of New York, Survey of Consumer Finances.

Public and Private Debt

Student loans are not the only place where Americans have built up a worrying pile of debt. As the country has gotten older, we have accumulated a hefty pile of debts of all kinds, both public and private. The now-retiring generation rode a wave of economic prosperity for much of its life, but it was *debt-financed* prosperity. The next generation, Gen X and those younger, will be left with a hefty bill to pay.

Over the next 20 years, even as it becomes costlier and more time-consuming for Americans to achieve a middle-class income thanks to changes in occupational licensing and higher education, an ever-growing share of national income will have to pay for the promises of the past. Government and other obligations will eat nearly a fifth of the nation's economic output by 2050.

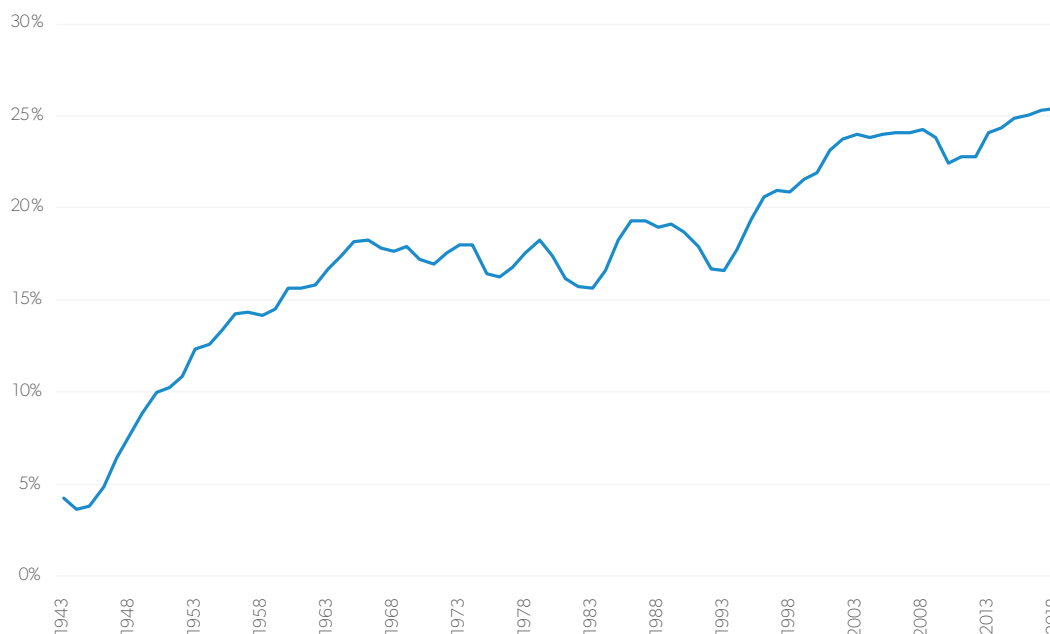
The growth in debt begins with personal consumer and credit debt (Figure 23).

Explaining this rising indebtedness is a bit challenging. Conventionally, economists assume that young people take on debts to finance investments,

such as houses or an education, paid off over lifetime earnings. The corollary of this model is that, as one ages, indebtedness should fall. And to some extent, this model holds up in the aggregate. But with *personal* credit, it is off: Americans are loading up credit cards and maxing out personal loans.

It is hard to say exactly what is causing this. Perhaps rising medical costs are burdening household budgets. Or, perhaps Americans are just raising their standards for personal consumption. Academic research supports the idea that the increasing visibility of consumption in modern societies, thanks to mass media in the previous generation and social media more recently, may directly cause “undersaving.”³⁶ In other words, when it looks like everyone else is buying new iPhones, going on vacations to Italy, or buying new designer clothes, it encourages you to do the same: Others with similar jobs can afford it; why can't you? But as consumption patterns become more visible, such as through Instagram, this process can be supercharged.

Figure 23. Personal and Consumer Credit Balances as a Share of National Disposable Personal Income



Source: Board of Governors of the Federal Reserve System, "Consumer Credit Outstanding (Levels)," https://www.federalreserve.gov/releases/g19/HIST/cc_hist_sa_levels.html.

This explanation would suggest that rising indebtedness is basically about lots of individually poor budgeting decisions adding up. And that is entirely possible. But there is at least some reason to be skeptical of this idea. For example, while there is more consumer debt outstanding, the actual personal savings rate is about stable: Americans are saving about the same today as they did in the 1990s (Figure 24).

And while it might be that rising indebtedness is basically a problem of excessive individual consumption, it turns out that public debt is rising too (Figure 25). It is not just individuals taking out more debt; the whole country is taking out more debt.

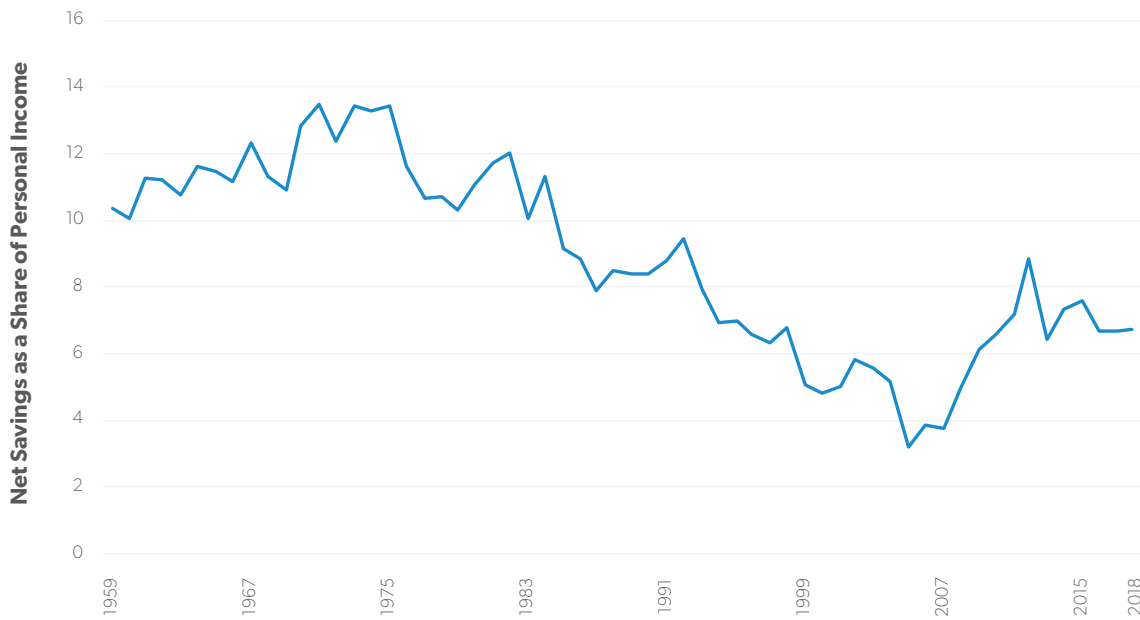
The government's debt is now considerably greater than an entire year's economic output for the whole country, and it is still rising. Much of it is held by other government agencies, such as Social Security, but that is not much improvement. Relying on future government debt payments to fund Social Security is hardly an optimistic prospect.

Individually and at a national level, the United States is not accumulating debt at a young age to acquire assets that will pay off for decades. We are accumulating extra debt *in our old age*, which we will pass on to a smaller, poorer next generation.

Of course, the real problem with public debt, as with private debt, is not the *total balance*, but the *interest payments*. Plus, by looking at payments instead of balances, we can more easily consider programs that are not precisely debts, but which are nonetheless future liabilities, such as Social Security and Medicare payments. By adding up the annual payments on debts, Medicare, Medicaid, state pensions, and other such programs, we can see how much of America's income is going to pay for the promises of the past (Figure 26).

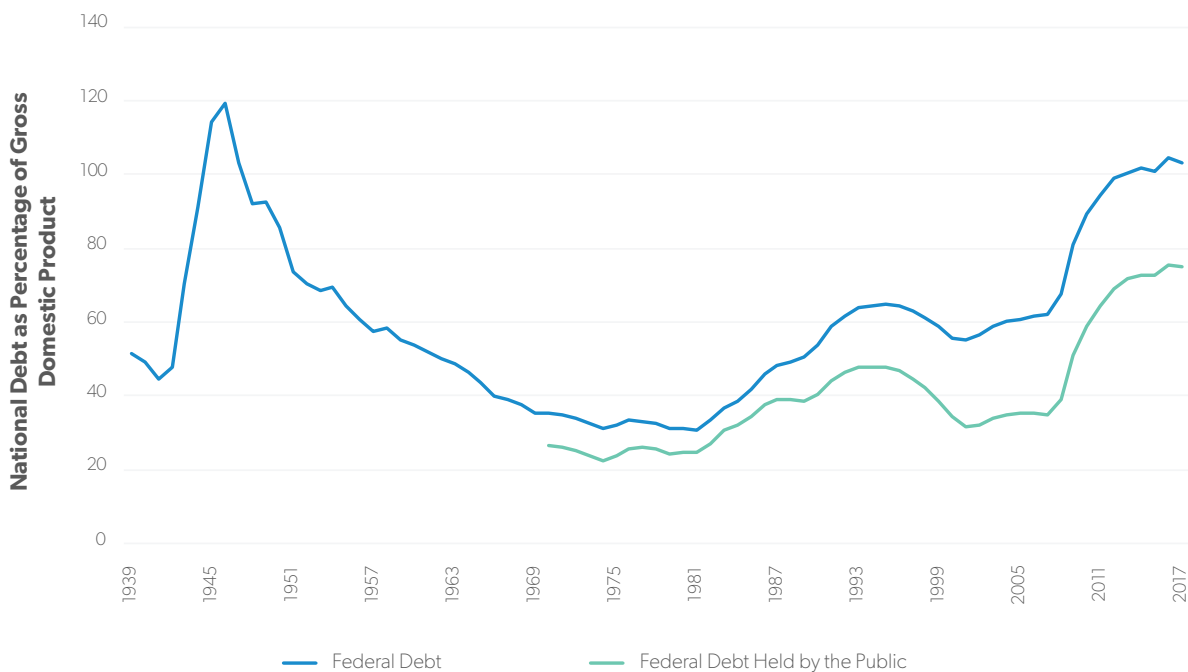
From 1947 until 1983, payments on these obligations rose steadily. With each passing year, approximately another quarter percentage point of gross domestic product was dedicated to interest payments, Social Security, Medicare, or government pensions.

Figure 24. Personal Savings Rate

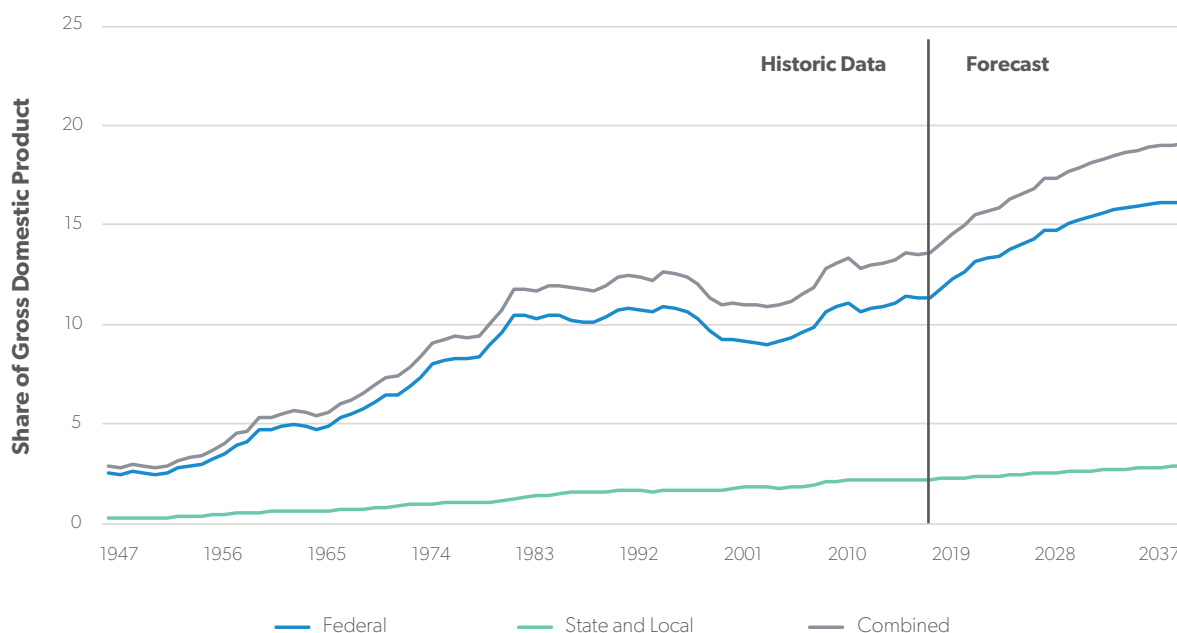


Source: Bureau of Economic Analysis, National Economic Accounts.

Figure 25. Federal Debt as a Share of the National Economy



Source: Federal Reserve Bank of St. Louis.

Figure 26. Future Payments for Debts and Obligations

Source: Office of Management and Budget; US Census Bureau State and Local Government Finances; and author's calculations for future forecasts.

But then from 1983 until 2018, things mostly flat-lined. Over the whole period, the burden of annual payments rose less than 2 percentage points, for an annual increase of just one-twentieth of a point. This was largely because this period saw persistently declining interest rates, which resulted in the interest portion of obligatory payments partially offsetting the Social Security, pensions, and Medicare portion.

But in recent years, interest payments have begun to rise again at the federal level, even as a wave of retirees is pushing old-age payments higher. As a result, the next 20–25 years will see a pace of increase similar to the 1947–83 pace; about 25 percent of income more each year will be used to pay for the promises of the past. Some will go to retirees, some to debt payments, and often to foreign creditors.

But wherever the money goes, the key point is that the next few decades will see a rapid increase in fiscal pressure on taxpayers, all to pay for the *past*, not the *future*. This pressure will show up in various ways. Municipal, or even state, bankruptcies and

credit restructurings will become more common. Regional demographic weakness will be a good predictor of which places collapse first: Persistent out-migration and low fertility have already led places such as Detroit, Illinois, and Puerto Rico into serious credit difficulties. As demographic decline spreads, so will the pressure on local, state, and federal government services.

This already dismal forecast assumes that conventional assumptions of costs for Social Security or Medicare are correct. But if fertility is lower than expected, or if prime-age workers die at a higher rate while older people live longer, the situation could be even worse. The Social Security Trustees say that a 0.2 children-per-woman decrease in the total fertility rate could worsen the actuarial balance of Social Security by 30–40 percent versus the baseline forecast.³⁷ Notably, the fertility rate in America is *already* about 0.25 children lower than the central forecast used by the Social Security Trustees and about 0.05 children lower than their worst-case scenario. The situation is even worse than it looks.

Young Americans today are coming up in an age when their hands are tied: They cannot get houses because of tight land use rules that restrict supply, they cannot get jobs because of tight licensing rules that restrict work, their communities have been stripped of husbands and fathers by mass incarceration, and their education is taking longer, costing more, and worth less. In this restricted and regulated state, they will be asked to spend their life chained to the weight of their parents' and grandparents' political debts.

Solutions

From land and housing to work and education to the figurative chains of debt and the literal chains of prison, Americans today simply have fewer opportunities than their forebears. The heavy hand of regulation and control keeps many of the doors of life closed. These regulations have proliferated over the past half-century, driven by a huge cohort of Americans who grew up amid unparalleled abundance, climbed the ladder of prosperity, and then pulled the ladder up behind them. Now, younger Americans are dying off at an alarming, and increasing, rate, leaving the country and its people older, lonelier, and poorer.

Luckily, many of these problems can be solved. The problem of overregulation is basically a policy problem and therefore amenable to a policy solution.

Strict rules about zoning and land use can be repealed. Much of the work on this front will be local. Conservative areas already tend to have less strict zoning, but nonetheless, improvements can be made. So-called YIMBY (Yes in My Backyard, or pro-development) activism has started growing around the United States, pushing for a relaxation of rules about real estate development.

Meanwhile, at the federal level, Secretary Ben Carson has already proposed to use the Fair Housing Act to pressure states and localities into adopting a more relaxed zoning code.³⁸ People are already working to solve this issue, many of them conservative, since the basic problem is one of too much government. Further, several metro areas and

states have significantly reduced the restrictiveness of land use rules, including Minneapolis' abolition of strict single-family-housing zoning rules throughout the city region.³⁹ California may even try to fix its appallingly overregulated housing market.⁴⁰ Oregon has a proposal to abolish restrictive zoning rules throughout the state, which is a much better proposal than its economically destructive new law creating statewide rent control.⁴¹ In other words, solutions are being debated.

Occupational licensure requirements, likewise, can be removed. While opposition to licensing is less organized than opposition to strict zoning, a growing group of policymakers are nonetheless trying to loosen the grip that licensing bodies have on Americans. For example, in an unusual alliance, Sens. Marco Rubio (R-FL) and Elizabeth Warren (D-MA) have cosponsored a bill to eliminate one egregious abuse of licensing rules.⁴² In some states, if a person falls behind on their student loan payments, their license to work is revoked. This policy is destructive and unfair: A person who is actively working and falls behind on loan payments should not be thrown out of their job by the government. Not only does that reduce employment, it actually makes it *harder* to repay their loans.

Repealing these egregious abuses is a vital first step, but there is more work to be done. Governors could establish commissions to evaluate whether current licensing standards pass a cost-benefit test on public safety and employment grounds. State legislatures could simply repeal licensing requirements for professions in which personal health and safety are not at risk. As outlined previously, occupational licensing seems to be rising year after year: Policymakers need to stem the tide now and not wait until it gets as bad as land use rules have become.

Over-incarceration is the opposite problem: Policymakers do not need to stem the tide of a rising problem, but rather undo the damage of past policies. Under President Trump, Congress has taken the first steps to reduce over-incarceration.⁴³ There is more work to be done, and in many states, efforts are already underway to reduce the prison population

and reduce how many new people are added to it. But again, while some federal measures need to be taken, most of the work on this front is state or local. Pressing for shorter sentencing for nonviolent offenses and decriminalizing some forms of recreational drugs, such as marijuana, are particularly important policy changes in this regard.

The question of education is more complicated. Progressives often present the problem as purely a financial one: University costs too much, so the cost should be subsidized. But this approach is facile. Even if university were free, the deeper problem is that society seems to be demanding an escalating number of university-provided credentials with weak evidence that they actually make the student a better worker. Young people are being pushed to delay their entry into the workforce, and their corresponding start of family life, longer. More degrees are required than in the past, and attaining a given degree is taking longer. Even once obtained, many degrees seem to contribute little or no job knowledge, enabling the student to command a premium in their field. The solution, then, cannot just be about cash thrown at universities.

More logical solutions would include facilitating relationships between universities and companies, giving students on-the-job experience, and making sure course assignments are relevant for work in a related eventual career field. Likewise, shifting the weight of federal funding to give more aid to vocational and technical education, instead of college degrees, might also be useful.

Finally, and somewhat more radically, the federal government could change the structure of Pell grants and other federal funding sources. Academic research has shown that some schools are better at helping students earn more than their parents did, and other schools are worse at it.⁴⁴ Pell Grant generosity could be increased if students attend schools that tend to actually achieve intergenerational upward mobility, while grants for students attending worse-performing schools could be reduced.

But again, as with zoning and licensing, many of the solutions will not be federal, but state, or even

at the university level. Specific curricular requirements, specific program structures, and specific relationships with industry will all matter. Still, policymakers would do well to press schools to help students acquire actual skills, graduate in a timely manner, and obtain degrees that are demonstrated to provide useful knowledge in their intended field of work.

Solving the problem of debt and long-term obligations is, like the above issues, formally simple. It is just politically hard. The Social Security Trustees produce regular estimates of proposals to change Social Security and how they would alter solvency.⁴⁵ There are numerous options to make Social Security solvent *without* large changes. And yet, political will to implement these changes is next to nonexistent. The long-term problem of debt and underfunded obligations has a clear solution: Find a way to either raise more money in revenues through taxes or economic growth or reduce spending on obligations or some other priority. Some of these measures will eventually become necessary; but in today's political dispensation, when people near retirement or just a few years into it represent an extraordinarily large share of the electorate, entitlement reform is exceedingly unlikely.

The necessary tasks of reducing the growth of benefits and payments, while improving dedicated revenue streams, are likely to go undone. As such, the next few decades are likely to see more states and localities face extremely difficult pension and debt crises, leading to distressed debt situations and, where possible and legal, perhaps even bankruptcies. The federal government will likely keep postponing entitlement reform until it is too late, resulting in last-minute stopgap measures: arbitrary cuts in benefits, stricter auditing of eligibility, unpredictable tax hikes, and other responses.

But if policymakers could muster the political courage to address the brewing entitlements problem, if over-incarceration could be addressed, and if the educational arms race could be stopped, rigid licensing rolled back, and land use regulations undone, it would result in an America with cheaper housing, more jobs, quicker and higher-quality education, a better long-term fiscal outlook, and fewer

lives destroyed by unnecessary years spent in prison. It would be an America that feels stronger and more full of potential—even younger. In other words, the key to unlocking the social and economic potential of America in the 21st century may simply be about undoing the damage of the latter half of the 20th century.

About the Author

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