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OP-ED COLUMNIST

A Human Capital Agenda

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In 1998, the Republican Party was in disarray. “G.O.P. Train Careens Out of Control,” was the headline on one George Will column. The folks at National Review surveyed the wreckage of the Republican Revolution and asked, “What Went Wrong?”

The Republicans were not only directionless and depressed, they had sacrificed their identity as the party of limited government. They’d just passed a \$217 billion highway bill with 1,850 pork barrel projects. In 1998, the Republicans spent more money than Bill Clinton thought to ask for. “Big Government Republicans,” wailed an editorial in Investor’s Business Daily.

By now, this should sound familiar. And it should be clear that while some Republicans argue that big government conservatism started under George W. Bush and that the G.O.P. was in decent shape until Bush ruined it, this is a total myth. In fact, it was Bush in 1999 who single-handedly (though temporarily) rescued the Republican Party. He did it not by courting Republican interest groups, but by coming up with something new. On July 22, he delivered a speech in Indianapolis in which he explicitly distanced himself from Washington Republicans and laid the groundwork for compassionate conservatism.

Today, we know the substantive problems with compassionate conservatism. It involved blending church and state in ways that made people on both sides uncomfortable. It was too small an agenda to build an entire domestic policy around.

But as a matter of leadership, that speech was a masterstroke, and should be instructive to anybody running for president today. Instead of looking small by chasing the approval of midlevel power brokers, he made himself look big by defining his own agenda and making them come to him. Instead of enmeshing himself in the controversies that were contributing to G.O.P. decline, he gave the country something unexpected, and offered a break with the past.

Today, Republican candidates should hunger to give that kind of speech, this time with a bigger policy agenda. Republicans should learn from Bush’s false dawn and create a real dawn. What the country needs is a candidate who can transcend current categories and give a speech laying

out a human capital agenda, which offers several advantages.

First, it's really important. As Isaac Ehrlich of the State University of New York at Buffalo detailed recently, the U.S. became the richest country because in the 19th and 20th centuries it had the most schooling and the best circumstances to help people develop their own capacities.

But this advantage is eroding. High school graduation rates have peaked and are sliding. And over the next 25 years, the Educational Testing Service reports, better educated people will leave the work force and they'll be replaced by people with less education and worse skills.

Second, a human capital agenda leads to policies that cut across left and right. At the very least, it means preserving low income-tax rates, which cause people to work harder and develop their capacities. It means creating high-quality preschools for children from disorganized single-parent homes. It means giving parents more school choice so they can take advantage of the information they now have about failing schools thanks to No Child Left Behind.

It means increasing child tax credits to reduce economic stress on young families. It means encouraging marriage, the best educational institution we have. It means a national service program, so young people can experience the world.

Third, politically, a human capital agenda exploits the divisions between liberal populists and independents. Liberal populists, about 26 percent of the country, believe in redistribution policies. Conservatives and independents do not. Liberal populists believe the global economy is so broken all the benefits of it go to the top 0.01 percent. Independents and conservatives observe that hard work still leads to success. Liberals emphasize inequality. Moderates and conservatives believe inequality is acceptable so long as there is opportunity.

In the 1980s, Republican supply-side policies helped spur investment. Today, the world is awash in money. That's not the problem. Instead the shortage is in people to invest in.

Over the next few weeks I'll detail some policies that might go into a human capital agenda. What's needed is a candidate who will break from the G.O.P. death spiral and who will stop talking about himself. After the Iraq debate crescendos in September, public attention will turn domestic. Republicans had better have something big and growth-oriented to talk about.

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