Center for American Progress

Part of *Progressive Growth,* CAP's Economic Plan for the Next Administration

Virtuous Circle

Strengthening Broad-Based Global Progress in Living Standards

By Richard Samans and Jonathan Jacoby

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Contributors

The editors and authors of *Progressive Growth* thank their colleagues, the fellows, and staff of the Center for American Progress, listed below, who work on related issues and/or contributed to select portions of *Progressive Growth*. While the ideas and analyses of these experts inspired many of the recommendations in *Progressive Growth*, the recommendations in each report are those of that report's authors and the Center's leadership, and do not necessarily represent the views of all associated with the Center.

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A list of earlier reports published by the Center for American Progress describing policy incorporated into the *Progressive Growth* plan can be found on the inside back cover.

Cover photo: Thousands of commuters pack the Se train station in Sao Paulo, Brazil, whose population of nearly 20 million makes it one of the three largest metropolises in the world. The growth of the middle class in Brazil and other emerging middle-income countries offers the United States a growing market for its exports. Image courtesy of Corbis.

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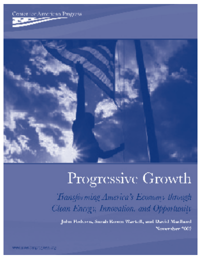

The Center for American Progress offers a fiscally responsible investment plan to:

- *Grow our economy* through the transformation to a low-carbon economy and leadership in innovation, technology, and science.

- *Recreate a ladder of economic mobility* so that Americans may make a better life for themselves and their families, and America may be a land with a thriving and expanding middle class prospering in the global economy.

An overview of the entire plan can be found in:

Progressive Growth
Transforming America's Economy through Clean Energy, Innovation, and Opportunity
By John Podesta, Sarah Rosen Wartell, and David Madland

Other reports detailing aspects of the challenges and recommendations in the *Progressive Growth* plan are:

Capturing the Energy Opportunity
Creating a Low-Carbon Economy
By John Podesta, Todd Stern, and Kit Batten

A National Innovation Agenda
Progressive Policies for Economic Growth and Opportunity through Science and Technology
By Tom Kalil and John Irons

Virtuous Circle
Strengthening Broad-Based Global Progress in Living Standards
By Richard Samans and Jonathan Jacoby

Opportunity and Security for Working Americans
Creating the Conditions for Success in the Global Economy
By Louis Soares, Andrew Jakabovics, and Tim Westrich *(forthcoming)*

Responsible Investment
A Budget and Fiscal Policy Plan for Progressive Growth
By David Madland and John Irons

Other reports developing these and other new ideas will be published as part of the *Progressive Growth* series of economic policy proposals from the Center for American Progress. The first were: ***Serving America: A National Service Agenda for the Next Decade***, by Shirley Sagawa, published in September 2007; ***New Strategies for the Education of Working Adults***, by Brian Bosworth, published in December 2007; and ***Investing in Social Entrepreneurship and Fostering Social Innovation***, by Michele Jolin, published in December 2007.

Progressive Growth: A Summary

The American Dream has been a story of progressive policy establishing conditions in which individuals have been able to seize opportunities and make a better life for themselves, their children, their families, and their communities. It can be so again. The United States faces unprecedented challenges. Yet at the Center for American Progress, we are optimistic about America's economic future. We are confident that the ladder of economic mobility can be rebuilt with the right leadership and progressive policy.

Today, working Americans feel less and less secure, and their prospects for economic mobility seem more and more remote. People are working longer hours than ever before, change jobs more frequently, and have more volatile incomes. Forty-seven million live without health insurance. Few are represented by a union. Many face tough competition from lower-wage workers abroad. The land of the American Dream now has less inter-generational income mobility than many other developed countries. Family incomes have risen on average within generations only because the incomes of women have risen as their participation in the workforce has grown dramatically; incomes of men have stagnated. The additional income from the second earner is essential to cover the rising cost of healthcare, energy, and childcare, among other things.

Each of the traditional pathways to progress is littered with roadblocks. Incomes are not rising; the historical link between greater productivity and higher wages has broken down. Personal savings in the United States is near record lows. From pre-school through high school, we are failing to prepare many for college and the workplace. Those who begin degree or credential programs to improve earnings complete them at alarmingly low rates. Until recently, homeownership was a pathway to wealth accumulation, but many now see their equity slipping away. **American workers feel less secure with good reason. Their prospects for getting ahead are more limited. Working hard and playing by the rules is not enough.**

In recent years, economic growth has been relatively strong, but the economy has added jobs at a lackluster rate compared to similar times in the economic cycle. The share of the nation's income that goes to those in the middle is lower than it has been in 50 years. The benefits of economic growth have all flown to those at the very top.

Key Steps to *Progressive Growth*

Accelerate America's transformation to a low-carbon economy.

- Implement an economy-wide cap-and-trade program for greenhouse gases.
- Dedicate cap-and-trade revenues to, first, offset energy costs for low- and moderate-income consumers and support the employees and communities of carbon-intensive firms, and second, invest in innovation and the transformation to a low-carbon economy.
- Implement complementary policies to reduce emissions and increase energy efficiency in the transportation and electricity sectors.
- Create a White House National Energy Council to manage the transformation and ensure that the federal government leads the way.
- Exercise global leadership.

Spur innovation to sustain productivity growth *and* job creation.

- Make significant new investments to stimulate innovation to address our nation's grand challenges and emerging opportunities.
- Build a flexible, problem-solving workforce that includes more workers with world-class science, technology, engineering, and math skills.
- Restore the integrity of American science.

Rebuild the ladder of opportunity by restoring economic security and mobility.

- Guarantee quality, affordable *health care* regardless of employment or life circumstance.
- Expand access to effective *education* for our children and adult workers to ready the workforce for 21st century jobs in the global innovation economy.
- Make work pay and *incomes* keep pace with growth through the minimum wage, expansion of the Earned Income Tax Credit and Child Tax Credit, the right to organize, and reforms to unemployment insurance and adjustment assistance.
- Provide greater opportunities to build and secure *wealth* through work, retirement savings, affordable and safe financial services, and home ownership.

Create a virtuous circle of rising economic fortunes for a growing global middle class—future consumers of U.S. products and services.

- Refocus the three main elements of our international economic policy—trade, aid, and monetary policy—on achieving progressive growth around the globe.
- Enlist all the international institutions—the International Labor Organization, the International Monetary Fund, the World Bank, the World Trade Organization, and regional multilateral development banks—in a coordinated strategy to promote decent work: quality jobs, fundamental rights at work, social protection, and social dialogue.
- Support construction of the laws and institutions that will enable middle-income nations to share new growth widely within their populations.
- Support low-income nations in meeting basic human needs, advancing decent work, moving more workers into the formal economy, eliminating trade barriers to their exports, and supporting the creation of trade-related infrastructure.
- Restore deteriorated regime for consumer protection and enforcement.

Adopt a responsible fiscal policy to finance needed investments in national priorities.

- Make needed investments in economic growth and restoring economic mobility.
- Dedicate cap-and-trade revenues to ease the transition to a low-carbon economy and invest in policies to spur innovation and the energy transformation.
- Adopt a tax system that is fair and rewards human capital by:
  - Rewarding work and wealth equally.
  - Expanding the Earned Income Tax Credit and Child Tax Credit to help make work pay for low-income workers.
  - Providing tax breaks to employers and employees to encourage more investment in credentialed and portable education of adult workers.
  - Improving retirement security through matching contributions for lower-wage workers in a new Universal 401(k) plan.
  - Lifting the cap on which the employer pays social security taxes while maintaining the employee cap.
  - Permanently reforming the estate tax so that only a tiny fraction of the wealthiest heirs would be subject.
  - Closing loopholes and improving tax enforcement.
- Put America on course to reduce our debt as a share of our Gross Domestic Product.

The prospects for long-term growth are also weak. Our economy is increasingly reliant on unsustainable, debt-driven spending (by consumers and the federal government), instead of innovation and investment. Between March 2001 and March 2007, 84 percent of economic growth came from consumption spending, while less than 4 percent came from investment. The United States has fallen behind many countries when it comes to equipping the workforce with the education and training necessary for individual and national success, doing a mediocre job especially of preparing our children for careers in the innovation economy. Younger cohorts moving into the workforce in coming years will be smaller and have less education than the older generations leaving the workforce.

Globalization and technology have changed the rules of the game. Unsustainable appreciation in the housing market buoyed the economy for too long. And we face a clear and present danger to our economy and the earth itself from global warming. As Rajendra Pachauri, Chairman of the Intergovernmental Panel on Climate Change and recipient of the 2007 Nobel Peace Prize, said recently, "If there's no action before 2012, that's too late. What we do in the next two to three years will determine our future. This is the defining moment." America needs policymakers with a plan for restoring U.S. economic leadership in a global and carbon-constrained economy, making it possible, once again, to dream that our children can look forward to a better future.

The next administration can offer a new vision of America as an economic leader with a growing middle class in a vibrant global economy. America's economy could be driven by ongoing invention and the production of high value-added goods and services. America could lead a global energy transformation based on more efficient technologies and clean, renewable fuels. These forces could fuel the creation of good jobs and good prospects for workers at all skill levels. America's students and workers could be readied to meet the demands of the innovation economy. Moreover, we could ensure the economic security necessary, so that people can take risks and generate wealth for themselves and our country. America could put globalization and change to work for American workers and for millions around the globe.

At the center of this vision is a strategy to address the greatest moral and economic challenge of our time—climate change—and turn it into our greatest opportunity. Left unchecked, the economic disruption caused by climate change will sap our resources and dampen our growth. But with low-carbon technologies and clean, renewable energy, we can capture a new global market, drive American economic growth, and create green jobs for American workers, offering new skills and new earnings opportunities up and down the economic ladder.

CAP's economic blueprint for a new administration would also leverage our creativity, entrepreneurial culture, and a restored leadership in science and technology to create an innovation economy and spur economic growth. It would seek to enhance economic security and mobility for American workers by creating the conditions in which they could protect and improve their own health, education, incomes, and wealth. It would refocus our international economic policy on promoting decent work and higher living standards around the globe, helping to generate additional demand for American products and services, restoring American leadership, and ensuring that the rising tide produced by economic integration lifts all boats. Finally, CAP's plan offers a responsible pro-growth fiscal policy that would value work and fairness and support necessary investments in our economic future while setting us on a course to reduce the debt as a share of GDP and ready ourselves for the additional demands of the aging baby boom generation.

Restoring economic mobility for Americans, sustaining economic growth in a global economy, and combating global warming are great challenges, but America is up to the task. From sweatshops to segregation to the space race, the progressive commitment to fairness, human dignity, and what FDR called "bold, persistent experimentation" has driven our country to overcome obstacles as great as these we face today.

Virtuous Circle
Introduction and Summary

The Center for American Progress believes that the primary emphasis of U.S. international economic policy during the next phase of globalization must be to improve the quality of global economic integration and not simply its quantity. The United States should lead the international community in a cooperative effort to strengthen and sustain global economic growth while translating that growth more effectively into broad-based increases in living standards and purchasing power around the world.

The United States over the past 60 years succeeded in bringing large parts of the world into a liberal economic order, but our challenge today is to ensure that the rising tide produced by economic integration does in fact lift all boats. Just as it is important for us to strengthen policies at home and enforce existing standards to better enable us to contend with this increased competition, so it is important for us to take steps abroad to ensure that expanded trade and investment with developing countries drive strong increases in their living standards and domestic consumption, which in turn will generate additional demand for our own products and services to produce further improvements in our own living standards.

The top priority of the next administration's international economic policy should be to breathe additional life into this virtuous circle of strong, synergistic advances in median living standards at home and abroad by organizing our trade, aid, and monetary policies around the central priority of removing the distortions and exploiting the opportunities that exist in this regard. We must retool and realign our policies so that they collectively serve to build a larger, more prosperous global middle class.

The top priority of the next administration's international economic policy should be to breathe additional life into this virtuous circle of strong, synergistic advances in median living standards at home and abroad.

The best hope for transcending the polarization and caricature of the current trade and globalization debate is to ground it in this wider context. Rather than simply declaring a pause in trade liberalization, the next administration should commit to reevaluating how well each of the three main elements of international economic policy—trade, aid, and monetary policy—are contributing to the twin goals of sustained global growth and broad-based progress in living standards. The new administration should then pledge to refocus these policies, individually and collectively, more sharply on the achievement of these underlying strategic objectives.

In this context, we see trade agreements and other initiatives to deepen global economic integration as but a means of public policy rather than ends in themselves. Policy is best assessed by judging how well it works to advance a shared vision of global prosperity. What is the best way to improve living standards for working families in our own country? For those in emerging economies? And for the "bottom billion,"[1] whose incomes have been virtually stagnant for almost half a century?

U.S. international trade, aid, and monetary policies today exhibit anything but a clear and common strategic focus. They appear to be chasing all manner of foreign and domestic priorities, and they lack an organizing principle that speaks directly to public concerns about the insecurity and inequality accompanying globalization. Most of all, our nation's international economic policies do not appear to rest on the lessons learned from the remarkable success over the past two generations in creating an integrated world economy in which industrial production is now widely dispersed among a growing number of countries.

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In the past, when conventional trade barriers were high and industrial production was concentrated in the United States and a handful of other countries amid the Cold War, it often made sense to subordinate our trade and exchange rate policies to other national objectives, such as strengthening political ties with strategically important countries or financing higher defense spending and tax cuts. There was good reason for us to espouse an export-led model of economic policy management to poor countries that we wished to see integrate rapidly into the world economy and the democratic community of nations. Our lead in living standards and industrial strength, as well as the slower pace of economic change, afforded us a certain luxury to play the role of both global economic engine and shock absorber.

But today, American middle class working families have a narrower margin of comfort when persistent exchange rate misalignments price our manufactured goods out of world markets, when major trading partners deliberately run large, ongoing trade surpluses through distortion of their macroeconomic and regulatory policies, when products arriving on our shelves fail to meet basic safety standards, and when free trade agreements with countries at vastly different levels of economic and institutional development lack mechanisms to ease the integration of such disparate societies. Many developing countries have much weaker domestic environmental and safety standards for their manufactured and agricultural products than those found in the United States. The U.S. regulatory framework in this respect is not only far from adequate but also has been allowed to deteriorate in recent years even as the market share of products coming from such countries has increased dramatically, exceeding 80% in some cases such as toys and seafood. To many citizens, this raises fundamental questions of not only public safety but also fairness, particularly given the scale of America's trade deficit—nearly 6% of GDP—and the enormous job loss experienced by our manufacturing industries in recent decades.

It should come as no surprise that many Americans today voice second thoughts about globalization, and particularly its most visible policy feature—trade agreements—when real wages have stagnated, fringe benefits have been pared, and child care, college tuition and housing costs have risen. "Opportunity and Security for Working Americans," a forthcoming report of this *Progressive Growth* series on economic policy, outlines a set of policies to safeguard and improve the health, education, incomes, and wealth of American families, including robust programs to help workers adjust when jobs are threatened or lost. The international economic agenda proposed in this report is an integral part of the Center for American Progress plan for achieving Progressive Growth and restoring opportunity and security for working Americans.

Another enduring legacy of our post-war international economic strategy is that the world economy continues to depend excessively on the United States for growth. While our large trade deficits are, in large measure, "made in the USA" through low household savings and fiscal policy, they also reflect various ongoing structural biases against growth in domestic demand in European, Asian, and other countries.[2] In essence, policymakers in these countries continue to perceive of the United States as the residual outlet for global production, the world's market of last resort.

Indeed, emerging economies have been effectively advised to do so by the so-called Washington Consensus—named after the Washington-based policymakers in the International Monetary Fund, World Bank, and U.S. Treasury who espoused it—through tight macroeconomic policy, promotion of exports, and comparatively little attention to social inclusion. And they have an incentive to do so due to the lack of a viable multilateral alternative to the unilateral accumulation of large amounts of foreign reserves through trade surpluses as insurance against a speculative attack on their currencies.

Globalization has helped lift an impressive 300 million (mainly Chinese) people out of extreme poverty over the past two decades, but it has also exacerbated inequality among and within most countries, quite significantly in many cases.[3] The persistence of structural economic biases that promote export production over domestic consumption in emerging economies contributes to this trend or, at a minimum, represents a missed opportunity for reducing it and making economic growth in them and the world economy as a whole more resilient.

U.S. Leadership to Diversify Global Growth and Broaden Progress in Living Standards

There is a great deal riding, both economically and politically, on the ability of the international community to work together to strengthen the world economy's virtuous circle. The combination of rising inequality in many newly industrializing countries and stagnating real wages in the United States and other advanced industrialized countries have sown doubts about whether global integration can live up to its billing as a force for shared progress. As a result, the social consensus behind free trade has frayed noticeably in recent years, particularly in developed countries.

Moreover, the abrupt end of the American housing boom means that the world economy may no longer be able to rely on the American consumer for stimulus for a number of years to come. If so, the longevity of the current global economic expansion and the depth of a possible U.S. economic slowdown may depend crucially on the extent to which other countries compensate by boosting their own consumption and domestic investment. The more they do so, the more limited the effect of a U.S. slowdown is likely to be on their own economic growth. The less they do so, the larger the risk they run that the dollar will depreciate dramatically and make the adjustment of global economic imbalances more painful for all concerned.

Rather than simply declaring a pause in trade liberalization, the next administration should commit to reevaluate how well each of the three main elements of international economic policy—trade, aid, and monetary policy—are contributing to the twin goals of sustained global growth and broad-based progress in living standards.

The United States is uniquely qualified to lead the world economy through this crucial next phase of integration. After all, we mastered similar challenges at home not so long ago. During the first several decades of the 20th century, in response to the glaring inequality and economic imbalances accompanying our own rapid industrialization and national economic integration, we implemented several waves of policy reforms aimed precisely at achieving more balanced and sustainable economic growth, particularly through the stimulation of broader progress in living standards.

From the landmark environmental and consumer protections of Theodore Roosevelt's Square Deal to the retirement, labor and investor protections of Franklin Roosevelt's New Deal to the labor, health and environmental protections of Harry Truman's Fair Deal and Lyndon Johnson's Great Society, we constructed a national infrastructure of economic institutions that deliberately and successfully broadened the base of our economic growth. And we did so by diffusing income gains more widely among our population and thereby making the economy less dependent on swings in business investment.

In the middle decades of the 20th century, these reforms played a crucial role in making the American Dream of a middle-class lifestyle (rising incomes, home and small business ownership, retirement security) accessible to millions of American families that had little accumulated wealth and relied entirely on wage income. In the process, these progressive policies helped to turn the United States into the middle class society and mass consumption, economic superpower that it is today.

The United States by no means holds a monopoly of wisdom on the question of what it takes to build successful institutions; indeed, there is plenty of room for improvement in many of our own labor, consumer, investor, environmental, and social protection laws, many of which are outdated or have been permitted to weaken as a result of a conscious conservative deregulatory and fiscal strategy in recent years.

Rather than impose an alternative form of conditionality that seeks to duplicate our own institutional structures, the United States should support local, country-driven approaches to these goals. After all, institutions and policies in different countries will be as diverse as local circumstances, traditions, cultures, and stages of development. What is most important is to help governments build the capabilities they need to strengthen economic governance and institute effective labor, consumer, environmental, investor, consumer, and social protections, since these all drive rising middle class living standards.

The example of the European Union provides additional insight into how creating a broader policy framework can help foster sustainable economic integration of higher-and lower-income nations. The EU's successful Single Market Initiative, in which countries at vastly different levels of development have combined to form the world's largest internal market, has involved a far broader policy agenda than the simple removal of barriers to cross-border trade and investment. The elimination of conventional trade barriers has been accompanied by a wide range of legal and regulatory reforms and targeted development assistance aimed at helping the new entrants (Spain, Portugal, and Greece in the 1980s and 1990s, and East-

Institutional Reforms Underpinning the Rise of the American Middle Class

During key periods of the 20th century, the federal government established a number of labor, environmental, consumer, investor and social insurance protections and institutions that helped to translate the growth accompanying our industrialization and national economic integration into rapid increases in the size and living standards of the American middle class.

1903: Department of Commerce and Labor established

1905: U.S. Forest Service established to protect the nation's wilderness and natural resources

1906: Food and Drug Administration established and Meat-Inspection Act enacted to ensure the safety of the nation's food supply

1915: Federal Trade Commission established to prevent anticompetitive business practices

1933: Federal Deposit Insurance Corporation established to maintain stability and public confidence in the nation's financial system

1934: Securities and Exchange Commission established to build investor confidence through clear rules and dependable information

1934: Federal Housing Administration established to provide mortgage insurance and encourage home ownership

1935: National Labor Relations Board established to govern relations between labor unions and private companies

1935: Social Security Administration and unemployment benefits established to provide income stability to vulnerable groups

1938: Fair Labor Standards Act enacted to establish minimum wage, overtime pay, accounting, and child labor standards

1938: Federal Food, Drug and Cosmetics Act enacted to grant authority to the FDA to regulate the safety of food, medicine, and cosmetics

1940: Investment Advisers Act enacted to regulate the activities of investment advisors

1944: Servicemen's Readjustment Act enacted to establish GI Bill education benefits

1964: Economic Opportunity Act enacted to establish Job Corps, Head Start, food stamps, and other social programs

1965: Elementary and Secondary Education Act enacted to increase federal education funding

1965: Higher Education Act enacted to provide student financial aid and strengthen the nation's university system

1965: Social Security Act enacted to establish Medicare and Medicaid to safeguard the health of the elderly and the impoverished

1965: Land and Water Conservation Fund Act enacted to enable acquisition of territory and waterways for recreation and conservation

1965: Motor Vehicle Air Pollution Act enacted to establish the first federal vehicle emissions standards

1965: Solid Waste Disposal Act enacted to improve the nation's trash disposal systems

1966: National Highway Traffic Safety Administration established to improve safety on the nation's roadways

1966: Endangered Species Preservation Act enacted to protect endangered animals and their habitats

1968: Truth In Lending Act enacted to provide consumers with clear information about lending arrangements

1969: National Environmental Policy Act enacted to establish Council on Environmental Quality ern European countries today) create the institutional environment necessary for the rapid productivity gains from Western investment to lead to strong and steady convergence of living standards with those of original EU member states.

With these lessons of history in mind, U.S. international economic policy must widen its field of vision if it is to succeed in strengthening the world economy's virtuous circle of rising living standards. The last phase of globalization was aimed principally at spurring improvements in economic efficiency and growth through trade liberalization and sound macroeconomic management in line with the guidance provided by the Washington Consensus. The next phase of globalization should focus to a much greater extent on broadening the base of global economic growth in large part by helping newly industrialized countries stimulate broader improvements in living standards through a much wider range of instruments than just trade agreements.

At the same time, the next administration should step up the fight against absolute poverty in low-income countries as a way to build the world economy's pipeline of future middle-class consumers. And it should push more assertively for the implementation of structural reforms in developed countries in order to increase their contribution to global growth, environmental sustainability, and a fairer and more open international trading system.

Underlying these strategies should be two principles: first, that respect for internationally recognized core labor standards is expected regardless of countries' level of development; and second, that as countries become more systemically significant through their industrialization and integration into global product and services markets, they must assume a commensurate degree of responsibility for sustaining global growth and nourishing the world economy's virtuous circle of rising global living standards. Our international trade, aid, and monetary policies should be reformulated and realigned to advance this principle, segmented on a bilateral basis according to level of economic development, and bolstered by a major renovation and coordinated redeployment of the major multilateral institutions relevant to this task: the International Monetary Fund, the World Bank and regional multilateral development banks, the International Labor Organization, and the World Trade Organization.

Recommendations for U.S. policies toward middle-income countries:

Trade Policy

- Establish what we call the Roosevelt Consensus, in which advanced countries and multilateral institutions help emerging market economies pursue not only sound macroeconomic and open trade policies but also the parallel construction of stronger safety nets and labor, environmental, consumer, and investor laws and institutions.

- To this end, before entering into free trade agreement negotiations, the United States should conduct an assessment of not only whether the talks would be likely to produce a net expansion of trade but also if improvements should be sought in the country's labor, environmental, consumer, or investor laws and institutions in order to strengthen the contribution to broadly rising living standards through expanded trade and investment with the U.S. economy.

- Seek to include major weaknesses in law or institutional capacity in these areas within the scope of free trade agreement negotiations for the purpose of developing a mutually agreed upon plan of development assistance to help the country to reduce them over time.

- Base this broader approach to economic integration on the principle of "staged progress," in which the scale and required timeline of economic institution-building that accompanies trade agreements should be adapted to a country's level of economic development. In the short term, we must ensure that key American standards are enforced against unsafe products coming from overseas.

- Work with countries to make significant improvements in the enforcement of international core labor standards in their fields, factories, and other workplaces, and strengthen enforcement of U.S. trade laws to ensure that trade reflects the underlying competitiveness of national economies rather than distortions in costs due to poor governance or unfair subsidies.

Development Assistance Policy

- Elevate economic institution-building to a major, new priority of development assistance, particularly in middle-income countries where the central poverty challenge is no longer providing basic human needs but confronting growth in inequality and marginalization despite significant advances in national income.

- Offer financial and technical assistance to support countries' own efforts to spur job creation by strengthening their enabling environment for private-sector investment in small businesses, housing and infrastructure, as well as to improve social protections such as basic social insurance programs and implementation of worker rights, consumer safety, and environmental rules.

- Lead the Group of 8 industrialized countries and other developed donor countries to renovate and strengthen the mandates and capabilities of the ILO, multilateral development banks, and bilateral donor agencies that relate to economic institution-building, beginning with a coordinated effort to implement the ILO's Decent Work Agenda.

- Catalyze global implementation of the ILO's Decent Work Agenda of job creation, fundamental worker rights, social protections, and social dialogue between workers, employers, and civil society by promoting a tripling of funding for ILO capacity-building assistance; improving the format, independence, and funding of its country-monitoring activities; establishing a joint annual report on the performance of the world economy from the IMF, ILO, World Bank, and WTO; ensuring policy coherence between these organizations on core labor standards and the other Decent Work Agenda pillars; issuing an Executive Order to create an interagency Decent Work task force, and boosting funding for the U.S. International Labor Affairs Bureau.

- Refocus the operations of multilateral development banks in middle-income countries from direct lending to strengthening institutional capacity in the areas of investor, consumer, and environmental protections; social safety net expansion; and private investment risk mitigation, particularly regarding infrastructure and clean energy.

Reform of the International Monetary System

- Reduce the incentive for emerging market countries to undervalue their exchange rates and accumulate large foreign exchange reserves through trade surpluses by improving the IMF's currency surveillance and macroeconomic coordination functions, increasing the resources available for currency crisis prevention, and striking a better balance between growth in exports and domestic consumption in policy advice.

Recommendations for U.S. policies toward low-income countries:

- Facilitate their more rapid advancement to middle-income status by increasing resources for basic human needs, eliminating trade barriers to their exports, and helping them to capitalize on export opportunities by providing major funding and incentives for investment in infrastructure and trade-related productive capacity.

- Place development on a par with defense and diplomacy by creating a cabinet-level position to develop a single strategy for U.S. humanitarian and development assistance programs.

- Fully fund the U.S. share of resources required to achieve the Millennium Summit and G-8 commitments with respect to infectious diseases, maternal and child health, basic education, water and sanitation, hunger, and extreme poverty reduction.

- Provide low-income countries with 100 percent duty-free, quota-free access to the U.S. market and significantly increase funding for "aid for trade" assistance.

- Expand employment in the formal economy of low-income countries by creating incentives for establishment of ILO Decent Work Country Programs as part of their involvement in trade preference programs while ensuring that even the least developed countries respect and enforce internationally recognized core labor standards.

Recommendations for U.S. policies toward developed countries:

- Spur greater implementation of structural reforms necessary to raise the growth potential of the economies of Europe and Japan by elevating and expanding the recent U.S.-EU Transatlantic Economic Council dialogue so that it focuses on not only regulatory convergence but also three structural challenges that we each face: balancing economic growth and social cohesion in the face of the heightened pace of technological change and competition accompanying globalization; shifting from carbon-intensive forms of energy; and facilitating the transition of rural economies from trade-distorting agricultural supports.

- Catalyze progress in the WTO Doha Development Round of multilateral trade negotiations by proceeding to modernize our rural safety net so that it serves more farmers and to shift some agricultural commodity funding to renewable energy.

- Prepare the ground for a set of future multilateral trade negotiations among countries with well-developed regulatory regimes to eliminate tariffs and harmonize, strengthen, and rationalize rules of origin, standards and other miscellaneous features of the group's various and sometimes overlapping free trade agreements that serve to complicate business and divert trade around the world.

- Assemble a coalition of G-8 and other developed countries to advance the modernizing reforms of multilateral economic institutions outlined in this paper, which are aimed at making them more effective instruments in a strategy to diversify global growth and strengthen the contribution of globalization to broad progress in living standards.

In the pages that follow, we will examine this comprehensive blueprint to reset the priorities of U.S. international economic policy in greater detail. As will become clear, the next administration has a special opportunity—indeed responsibility, in view of current signs of a possible U.S. economic slowdown—to build a larger and more prosperous global middle class by strengthening the world economy's virtuous circle of rising median living standards at home and abroad.

Middle-Income Countries

From the Washington Consensus to the Roosevelt Consensus

"Globalization has brought uneven benefits to the billions [of people] in middle-income countries who have started to climb the ladder of development since the end of the Cold War," observes the World Bank's new president, Robert Zoellick. "In many lands, social tensions are weakening political cohesion."[4] That's just one reason why the United States should seek to establish what we call the Roosevelt Consensus, in which the international community and multilateral institutions help emerging market economies pursue not only sound macroeconomic and open trade policies but also a parallel track of stronger safety nets and labor, environmental, consumer, and investor laws and institutions.

The strengthening of these domestic economic, legal, and regulatory institutions in middle-income countries will enable the gains in national income brought by their integration into the world economy to be shared more widely by their own citizens. This is the forgotten part of the American economic model, pioneered by Theodore Roosevelt and Franklin Delano Roosevelt, two U.S. presidents who came from different political parties and enacted new policies at different stages of our own industrialization in response to the inequality, economic imbalances, and weak social protections of their day.

The next administration should take the lead in fostering an analogous process in the global economy, utilizing the full toolbox of trade, aid, and monetary policies, and corresponding multilateral institutions to structure incentives for middle-income countries, including Brazil, Russia, India, and China (the so-called BRIC economies) to follow a similar path over time. The Washington Consensus provided a blueprint for poor countries to jumpstart a rapid process of growth and development through export-led integration into the world economy, but the Roosevelt Consensus offers a roadmap for strengthening newly industrialized economies and the world economy as a whole by diversifying them away from an excessive reliance on U.S. consumer demand and toward the steady enlargement of the purchasing power of a global middle class.

By creating an action plan to remove the principal distortions in economic policies at home and abroad that hinder the full activation of the virtuous circle promised by liberal economic theory, policies based on the Roosevelt Consensus have the potential to provide the most serious response yet to public concerns regarding the inequality and insecurity accompanying globalization and accelerated technological change. In a world economy in which the supply of labor has effectively doubled and capital and technology have become much more mobile in just the past 15 years, it offers a concrete vision of how to prevent a race to the bottom and transform it into a race to the top.

Implementing the Roosevelt Consensus will require a new mix of international economic policies encompassing trade, development assistance including a decent work agenda modelled on the International Labor Organization program of the same name, development finance, and international monetary arrangements. This paper will examine each of these policy domains in turn.

Trade Policy

Trade policy has become a highly charged subject in the United States largely because the public perceives it to be the only part of the international economic policy toolbox that is being applied to the pursuit and management of globalization. By emphasizing free trade agreements so prominently and then failing to combine them with the institution-building and macroeconomic reforms that are crucial to translating the gains from trade and investment into the broadest possible improvements in living standards around the globe, successive U.S. presidential administrations have made trade policy, including by association multilateral efforts such as the current Doha Round of multilateral trade negotiations, the political lightning rod of globalization.

Especially with respect to newly industrialized, middle-income developing countries, our international economic policy must be retooled to fire on all cylinders by treating the reduction of trade barriers as just one part of a multifaceted strategy to attain a win-win outcome for their living standards and ours. To help enforce this discipline on U.S. policymakers, any new bilateral free trade agreement with a middle income country should be considered and perhaps even called an ***economic integration*** agreement.

Furthermore, before deciding whether to request congressional authority to enter into such negotiations, the president should require a satisfactory economic assessment of whether the talks are likely to result in an agreement that would contribute significantly to a net (not just bilateral) expansion of trade, and whether improvements should be sought in the country's labor, environmental, consumer, or investor laws and institutions in order to strengthen the likely payoff to broadly rising living standards through expanded trade and investment with the U.S. economy.

The first test will force a more rigorous discussion within the administration and Congress about the economic (as opposed to foreign policy) justification for deviating from what should be a general preference for multilateral over bilateral trade liberalization. The second test will require an interagency process, including the Labor and Treasury departments, among others, to take a hard look at the policy-instituting capabilities of the country in key arenas such as labor rights, environmental protection, consumer, and investor safeguards in order to determine the extent to which capacity building assistance should be mobilized.

The more economically advanced the country, the higher should be our expectation of the quality of its laws and institutional capacity in these areas. Yet there should be no expectation or requirement that these arrangements must be exactly like our own—the only exception being labor law as it relates to the ILO Declaration on Fundamental Principles and Rights at Work. These core labor standards are internationally recognized as

"Globalization has brought uneven benefits to the billions [of people] in middle-income countries who have started to climb the ladder of development since the end of the Cold War. In many lands, social tensions are weakening political cohesion."

World Bank President Robert Zoellick (2007)

Construction work in China provides increasing export opportunities for U.S. heavy equipment manufacturers such as Caterpillar. AP Photo/Tarun Das.

universal human rights, which means they should be reflected as strongly in the laws of poorer countries as they are in wealthier ones.

Major weaknesses in legal or institutional capacities in any of these areas should become part of the scope of the negotiating mandate the administration seeks from Congress and agrees to with the negotiating partner or partners. The purpose of such negotiations should be to develop a mutually agreed upon plan of development cooperation to narrow these gaps over time. In particular, if worker rights or certain other basic social, environmental, consumer, or investor protections covered by the negotiating mandate are found to exist in law but by and large not in practice, then these concerns should become an element of the negotiations and a package of relevant multilateral or bilateral technical assistance should be agreed and funded as part of the overall agreement.

Based on the principle of "staged progress," the scale and required timeline of such economic institution-building should be adapted to the country's level of economic development.[5] As for accountability and enforcement, the country in question should be required to enact any improvements in its legal frameworks to which it agrees in the negotiations at the time it ratifies the overall agreement. Subsequently, any substantial pattern of failure to implement such agreed legal and institutional improvements, including failure to implement a funded program of capacity-building covered by the agreement, should be subject to potential withdrawal of some of the trade or investment concessions made in the deal.

This approach builds on the important steps that have already been taken—starting with the Jordan Free Trade Agreement negotiated in 2000—to include respect for enforceable labor and environmental standards in the body of trade pacts.[6] The leadership of Reps. Charles Rangel (D-NY) and Sander Levin (D-MI) and the long-standing advocacy of the AFL-CIO resulted in the incorporation of ILO core labor standards into the Peru Trade Promotion Agreement. Upon its passage, House Ways and Means Committee Chairman Rangel said, "Our great nation cannot afford to have a Democratic or Republican trade policy. Instead, we need an American trade policy that reflects our core values as a nation and serves as an extension of our foreign policy. The Peru FTA is truly an historic breakthrough because, not only will it open new markets for American goods and services, but for the first time we have included enforceable standards for workers and stronger environmental protections in the text of the agreement."[7]

There has been a notable shift in this direction in developing countries in recent years, too. Global surveys demonstrate that meaningful majorities now support the inclusion of labor standards in trade agreements. From Argentina to Poland to China, over 80 percent of the population expresses such support. Even in Mexico and India, whose governments led the opposition to the inclusion of labor standards in the 1999 Seattle WTO negotiations, 67 percent and 56 percent (respectively) of their citizenry favor requiring such standards within trade accords.[8] There is also a growing recognition that positive incentives are needed[9] to ensure that the investment and trade stimulated by trade agreements follow patterns dictated by comparative advantage rather than distortions in wage and environmental costs attributable to poor governance.

Development Assistance Policy

These changes in our approach to economic integration with middle-income developing countries imply a major shift in the way we think about and deploy foreign aid. Most of the aid debate over the past decade has focused understandably on low-income countries and achievement of the Millennium Development Goals pertaining to basic human needs, such as health, basic education, safe drinking water and sanitation, and adequate food and nutrition. These countries are where extreme poverty is most acute. Yet about 70 percent of the world's poor—people living on less than two dollars a day—reside in middle-income, newly industrializing countries.[10] The most effective way to tackle this important part of global poverty is to work to extend the economic dynamism that has already taken root in these countries to their marginalized citizens.

U.S. exports of consumer goods and services to east Asia reflect the power of the virtuous circle of rising living standards. flickr/enkai.

The most effective way to accomplish this is to spur job creation by strengthening the enabling environment for private-sector investment in small businesses, housing, and infrastructure, as well as to improve social protections by strengthening basic social insurance programs and the implementation of worker rights, consumer safety, and environmental rules—the very areas of economic institution-building envisioned by the Roosevelt Consensus.

Unfortunately, the global foreign aid establishment is neither attuned nor adequately equipped to support a major agenda of economic institution-building. The U.S. Agency for International Development, Millennium Challenge Corporation, and most of their foreign counterparts have yet to fully absorb the implications of the world economy's success in recent decades in moving many countries out of absolute poverty to the take-off stage of industrialization. The next administration needs to wield its influence to elevate institution-building to a major, new priority of development assistance, particularly in middle-income countries where the central poverty challenge is no longer basic human needs but rather widening inequality and marginalization.

"Our great nation cannot afford to have a Democratic or Republican trade policy. Instead, we need an American trade policy that reflects our core values as a nation and serves as an extension of our foreign policy."

Rep. Charles Rangel, 2007, commenting on the U.S.–Peru free trade agreement

Economic Institution-Building in China

Bolstering China's middle class and creating new consumers of U.S. products

China is moving to try to strengthen certain labor, environmental, consumer, and social protections as a means of broadening social inclusion in the benefits of its rapid economic growth. In some cases, these steps represent a limited initial commitment. In others, the policy goals are appropriate but far greater resources and political commitment are required to achieve them. The ultimate robustness and success of these efforts will have important implications for the world economy.

Worker Rights

China has a new Labor Contract Law that will take effect on January 1, 2008 in which companies will be obliged to provide a written contract to each employee and to provide a handbook of company policies and procedures developed in consultation with worker representatives. This law bestows new rights on employees and places new obligations on employers. Following opposition to earlier drafts of the law, multinational companies have now pledged to support the passed version and abide by its provisions. Some observers have speculated that the "Labor Contract Law may function like the National Labor Relations Act did when it was enacted in the U.S. 70 years ago, defining rights that employers try to ignore, evade, or repress—thereby creating the conditions in which workers demand implementation of the rights that they have been told they possess."[11] This may depend in large measure on the institutional capacity and will of the Chinese government to monitor and enforce these rights.

Environmental Protection

Rampant pollution is devastating China's environment. In response, the State Environmental Protection Agency, China's pollution regulator, recently announced that it was toughening its stance toward exporters who "sacrifice the environment" in search of profit. SEPA aims to set up an information system to track the environmental costs of China's booming export industry, which it plans to share with the Ministry of Commerce. Regulation that punishes businesses that waste energy resources is being drafted, though officials admit that enforcement would still be a big problem. Still, they expect that violators of the new rules will soon see their products banned or face fines if they fail to meet emission caps.[12]

Social Insurance

Strengthening the social safety net remains a big challenge for China, which continues to see growing imbalances between its rural and urban workers, particularly rural workers who have moved to urban areas but are covered only by poorer rural social security schemes. This means that migrant workers have to go home to get health care, and in many cases lack pension programs, even if they are offered, as they are not portable. With the gap between the rich and poor widening, President Hu Jintao reiterated his call for a "harmonious society" and a more equitable distribution of wealth within society at the 17th Party Congress in October 2007. While an important rhetorical signal, it remains to be seen whether President Hu will make the difficult policy decisions necessary to realize this vision. China does have a medical-insurance program that benefits urban residents and relatively well-off peasants and is now supported by central government subsidies. However, the scheme was criticized by the World Health Organization for inadequate commitment in 2004. Worst off, perhaps, are the 150 million or so migrant workers in urban areas who do not qualify.[13] But President Hu has officially recognized the problem and recently offered proposals to reform China's health care system that were praised by Dr. Margaret Chan, the Director-General of the World Health Organization.

Product and Food Safety

That China now recognizes that lack of product and food safety controls hurts the Chinese "brand" was evident when it took the unusual step of placing a vice premier in charge of product and food safety in the summer of 2007. The United States is also pushing China on this issue. U.S. officials expect increased safety controls to be unveiled at the U.S.-China Strategic Economic Dialogue to be held in December 2007. Failure to act on this essential issue must have consequences.

To this end, the next administration should embark upon a concerted agenda with the Group of 8 countries (the United States, Japan, Germany, Great Britain, France, Italy, Canada, and Russia) and other industrialized and industrializing countries to renovate and strengthen the corresponding mandates and capabilities of the International Labor Organization, the multilateral development banks, and the bilateral donor agencies in the OECD Development Assistance Committee. The first place to start, though, is with the ILO's Decent Work agenda.

The ILO and Decent Work

Founded in 1919 with President Woodrow Wilson's leadership, the International Labor Organization's mission is to "advance opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security, and human dignity." The institution's unique tripartite structure—in which national governments, employees, and employers enjoy equal representation—invests its decisions with widespread credibility.

Reflecting on the ILO's structure and mission, President Franklin Delano Roosevelt asked his Secretary of Labor Frances Perkins to deliver these remarks to the framers of the ILO Declaration of Philadelphia in April 1944:

> *I see in the ILO a permanent instrument of representative character for the formulation of international policy on matters directly affecting the welfare of labor and for international collaboration in this field. I see it as a body with a requisite authority to formulate and secure the adoption of those basic minimum standards which shall apply throughout the world to the conditions of employment. But more than that it must be the agency for decision and for action on those economic and social matters related to the welfare of working people which are practical for industry and designed to enhance the opportunities for a good life for peoples the world over.*[14]

In 1999, 80 years after the ILO's founding, Director-General Juan Somavia proposed that the primary goal of the ILO be to "secur[e] decent work for women and men everywhere." He defined decent work as follows:

> *Decent work means productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities. It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers' rights and social standards.*[15]

In addition, decent work entails social dialogue, a democratic process by which the ILO's three principal constituencies—as well as civil society—are guaranteed

ILO Director-General Juan Somavia explaining his organization's Decent Work Agenda.

"I see in the ILO a permanent instrument of representative character for the formulation of international policy on matters directly affecting the welfare of labor and for international collaboration in this field."

President Franklin Delano Roosevelt (delivered by Secretary of Labor Frances Perkins), 1944.

AMERICAN LEADERSHIP TO PROMOTE GLOBAL DECENT WORK IN THE 20TH CENTURY

1914: Henry Ford doubles the salary of qualifying Ford Motor Company workers so they can afford the cars they produce

1919: President Woodrow Wilson joins with American and overseas political, business, and labor leaders establish the International Labor Organization

1944: President Franklin Roosevelt signs the Declaration of Philadelphia, which broadens the ILO's mandate to promote more equitable growth in the global economy

1947: President Harry Truman embraces the Marshall Plan to rebuild the decimated economies of Europe

1948: Eleanor Roosevelt and other political leaders promote the passage of the Universal Declaration of Human Rights, which includes the right to employment

1984: President Ronald Reagan signs the Generalized System of Preferences Renewal Act, the first U.S. global trade legislation to include internationally recognized worker rights

1998: the United States joins the international community in signing the ILO Declaration on Fundamental Principles and Rights at Work

1999: President Clinton addresses the International Labor Conference in Genevato support adoption of the core ILO convention on the elimination of the worst forms of child labor

participation and representation to ensure that "the evolving global economy offers opportunities from which all can gain."

To realize this vision of advancing decent work globally, the ILO has reoriented its activities around the Decent Work Agenda, which is comprised of four pillars:

- ***Job creation***. Economic policymakers must have coherent strategies for generating employment. As at home, sustained creation of new jobs overseas relies on the building blocks of economic growth: sound macroeconomic management, fiscal discipline, good governance, free competition, and free flow of information. In a climate where entrepreneurs and existing companies can invest productively, businesses will expand and hire more employees.
- ***Fundamental rights at work***. The 1998 ILO Declaration on Fundamental Principles and Rights at Work reaffirmed all ILO members' commit-

ment to uphold four basic rights for all workers. Countries pledged to let workers associate and bargain collectively and to put an end to forced labor, child labor, and workplace discrimination. These international labor standards are universal human rights that establish a baseline of decency and dignity in the global economy. As such, they must be respected regardless of a country's stage of development.

- ***Social protection***. A robust social safety net is as crucial for other economies as it is for our own, especially in a volatile global economy. Rather than protecting workers' jobs per se, governments must develop policies and programs that protect the livelihoods of workers and their families. Such protection includes options for health care, long-term retirement savings, and disability insurance. Global economic integration accelerates the dynamic forces that benefit many workers but disadvantage others. Developing economies therefore need programs to assist workers in meeting their immediate needs and easing their transition to a sustainable livelihood in the event that the brisk winds of globalization blow through their industry.

- ***Social dialogue***. The most sustainable public policies emerge when businesses, workers (through labor unions and other worker associations), and civil society groups participate actively in government formulation of national goals for economic development and decent work. Constructive dialogue should be fair, inclusive, transparent, and empowering in order to provide diverse economic actors with the opportunity to exercise their voices on decisions that directly affect their livelihoods.

Since the 2004 release of "A Fair Globalization: Creating Opportunities for All,"[16] the report of the World Commission on the Social Dimensions of Globalization, the international community has embraced the Decent Work Agenda, and many countries have begun to implement it domestically. The resolution adopted by the United Nations General Assembly at its Millennium +5 Summit in 2005 declared, "We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies…as part of our efforts to achieve the Millennium Development Goals."[17]

At the regional level, tripartite leaders from nearly 40 countries and territories in Asia declared an "Asian Decent Work Decade" in 2006. At the Summit of the Americas hosted by Argentina in November 2005, the heads of state of the Western Hemisphere promoted the Decent Work Agenda as an alternative to the U.S.-backed Free Trade Area of the Americas. The summit's final declaration referred to decent work 23 times, while referring to the FTAA just five times. The African Union endorsed the World Commission's report in 2004.

After the European Commission and Parliament endorsed the World Commission's report in 2004, the European Union put the Decent Work Agenda into practice the following year. The EU introduced its reformed Generalized System of Preferences, known as the GSP+ trade preferences program, which requires that beneficiaries ratify all eight of the ILO's core conventions. The EU has been successful in using its GSP+ program to induce labor law reforms in

"Decent work means productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities."

International Labor Organization Director-General Juan Somavia, 1999.

Central America. For example, rather than risk losing valuable duty-free access to the European market, El Salvador ratified several of the ILO core conventions in September 2006.

In the United States, however, the administration responded positively but selectively to the World Commission's report:

> *The Commission is to be commended for its excellent analysis of the factors that have contributed to the current phenomenon of globalization. The Commission also rightly concluded that responsibility for addressing social issues associated with globalization rests primarily at the national level with national governments…The ILO has had an important role in working to improve the welfare of workers and of mankind in general. We look forward to working with the ILO to enhance its contribution to harnessing the potential of globalization through focus on issues such as core labor standards.*[18]

What's more, many other countries' official responses came from their heads of state, but the American statement came from an Assistant Secretary of State on behalf of Secretary of State Colin Powell. In addition, the Bush administration initially opposed the U.N. Economic and Social Council's adoption of a Ministerial Declaration endorsing the Decent Work Agenda in 2006. The Bush administration eventually relented but failed to demonstrate any leadership or enthusiasm in that regard.

Yet in this age of rapid economic integration and dislocation, the ILO should be even more important today than it was when President Wilson helped found it nearly 90 years ago. Due to its tripartite structure, which gives it credibility and legitimacy among business, labor, and civil society, the institution is well positioned to play a crucial role in helping national governments manage the effects of globalization on people's livelihoods.

For this reason, the next administration should launch a major campaign to strengthen the ILO and support widespread implementation of its Decent Work Agenda through a number of interrelated steps. First, the United States should bolster the ILO's capacity to help countries build effective institutions to administer their labor laws. ILO technical assistance programs for core labor standards and child labor currently receive only about $200 million from donors, with the United States providing about half of the total. The United States should work with other donors to triple this amount of funding over three years.

Second, the ILO's monitoring function should be strengthened by enhancing the independence, format, and visibility of its reporting in order to stimulate greater benchmarking and peer pressure on countries to make progress. Its current annual budget of less than $50 million should be doubled.

Third, the United States should lend its full support to the establishment and expansion of ILO Decent Work Country Programs to meet the scale of the challenges that developing countries face in building their middle classes (see text box, page 19).

Fourth, the United States should seek to incorporate the broader policy aspects of the Decent Work agenda—employment and social safety nets—into the economic policy advice that the IMF and World Bank provide to developing countries. We

Making Decent Work a Reality: Indonesia

Since 2005, the International Labor Organization has been developing Decent Work Country Programs to ensure that the four pillars of the Decent Work Agenda become key components of development policies in individual nations. These DWCPs serve as the ILO's main vehicle for delivering support by organizing, coordinating, and integrating all ILO activities within a given country.

The ILO develops these programs in close consultation with national governments, labor unions, employers, and civil society in order to reflect common priorities and desired outcomes. The ILO has already established DWCPs in over 20 middle- and low-income countries—from Argentina and Honduras to Jordan and Romania, and from Pakistan and Mongolia to Tanzania and Zambia—and found donor nations to support implementation of the projects called for by the programs.

Indonesia makes for a noteworthy example of a developing country with a DWCP. With over 200 million people, Indonesia is the world's fourth most populous nation, as well as its most populous Muslim nation. The World Bank considers the country to be middle-income, and the United Nations considers it to be at a medium level of human development. It is also a major trading partner of the United States, accounting for over $12 billion in annual trade.

In Indonesia, as elsewhere, developed-country partners have taken responsibility for supporting some or all of the projects associated with a specific Decent Work pillar. Successful, cost-effective interventions should be scaled up through greater financing, and models and best practices should be developed strategically. Here are some of the ILO-facilitated projects helping to make the Decent Work Agenda a reality in Indonesia through its Decent Work Country Program:[19]

Job creation

Youth employment (funded by the Netherlands)
- Skills development and entrepreneurship training
- Development of national and local youth employment policy and strategy

Employment-intensive programs in tsunami-affected Aceh province (funded by Canada, Ireland, Finland, Australia, New Zealand, and others)
- Micro-, small-, and medium-enterprise development
- Vocational training and support services for the informal economy
- Promotion of employment-intensive public works reconstruction projects

Economic development in indigenous communities (funded by Japan)

Fundamental rights at work

Elimination of the worst forms of child labor through the National Plan of Action (funded by the United States)
- Public awareness campaign about the need to reduce:
  - Trafficking of children for prostitution
  - Child involvement in drug trafficking
  - Child labor in dangerous occupations (mining, fishing, agriculture, footwear manufacturing)
- Technical support on implementation of ILO child labor conventions

Social protection

Migrant workers protection to combat forced labor and trafficking (funded by the United Kingdom and Norway)
- Creation of National Agency for Migrant Workers Protection
- Training of consulates, trade unions, and other organizations to provide appropriate services to migrant workers
- Creation of trade union networks between Indonesia and destination countries

Social dialogue

Capacity-building for employers' and workers' organizations (funded by Norway)
- Participation in dialogue on labor and employment policy
- Consensus-building on labor market flexibility and job security

should seek to make these key elements of the Country Assistance Strategies and Poverty Reduction Strategy Papers that guide World Bank and IMF country programs, respectively. And we should consider having the leaders of the G-8+5 countries (the G-8 plus Brazil, China, India, Mexico, and South Africa), in cooperation with the finance ministers of the G-20 developing nations, request a joint annual report on the performance of the world economy, signed by the heads of the IMF, the World Bank, the ILO, and WTO.

This annual global economic report should analyze trends in growth in economic activity, trade, employment, and living standards, and discuss how the four multilateral institutions are working together to improve these trends. Strengthening the joint accountability of these institutions to heads of government should improve the culture of cooperation among them and help ensure that all relevant international economic policy tools, including the crucial ones for which the ILO is responsible, are applied to the challenge of maximizing the contribution to global growth and broad living standards of global economic integration.

Fifth, the United States should urge these institutions to make full use of the ILO's "Toolkit for Mainstreaming Employment and Decent Work" in program design and implementation, which would bolster international economic policy coherence among them. Moreover, the U.S. Executive Director to the World Bank should ensure that the Bank's Doing Business report, which currently ranks countries more favorably for pursuing various forms of labor market deregulation, is better aligned with the effective promotion of decent work. Rather than working at cross-purposes, international institutions have great potential to reinforce one another's effectiveness in developing countries. One such effort, the ILO and World Bank-International Finance Corporation's joint Better Work program, deserves additional investments to scale up its activities.

Sixth, the next president should sign an Executive Order establishing an Interagency Task Force on Decent Work to oversee, coordinate, and strengthen all U.S. Decent Work-related programs. The Task Force should be co-chaired by the National Economic Council and National Security Council and include the heads of the Labor, Treasury, and Commerce departments and Office of the U.S. Trade Representative and U.S. Agency for International Development. The agency with core competence in this area—the International Labor Affairs Bureau within the U.S. Department of Labor—should be strengthened so that it becomes a more effective partner of the ILO and a key resource in the new interagency process.

For four of the last five fiscal years, President Bush has requested less than $15 million in annual funding for the International Labor Affairs Bureau, hardly an adequate sum to promote the Decent Work Agenda in this age of global economic integration. Congress has seen fit to appropriate at least $70 million (and as much as $152 million) on each occasion.[20] The next administration should restore and increase the funding that the current administration has slashed, and it should direct the State Department to restore the labor attaches who have been removed from all American embassies.

The next president should highlight these changes and pressure other donor countries to take similar steps by personally attending the ILO's annual confer-

Advancing Decent Work in China: The Role of the ILO

China has experienced remarkable economic growth as it has integrated into the global economy. But its leaders realize the dual imperative of broadening the base of that economic growth while ensuring that it translates effectively into improvements in their citizens' living standards.

Recognizing concerns about the sustainability of his country's heavily export-oriented growth model, Chinese President Hu Jintao recently called for a restructuring of the economy that prioritized domestic demand over export demand, as well as services and technology over manufacturing and heavy industry. Hu is also pushing a number of policy responses to the vast inequality that has accompanied his country's economic take-off.

The Chinese government has concrete plans for widespread job creation, an increase in the minimum wage, and improvements in China's notoriously weak social safety net, including its health care system, as its leadership detailed at the 17th Party Congress in October 2007. These priorities dovetail well with key elements of the ILO's Decent Work Agenda.

Of course, there are enormous gaps in China's implementation of the Decent Work Agenda, as the country has made no commitment to freedom of association, the formation of independent labor unions, or genuine social dialogue. Nonetheless, ILO projects underway— (or just completed—) in China provide a solid starting point for cooperation to advance the shared goal of rising living standards and may lead, over time, to more comprehensive progress on decent work there.

In May 2001, China—a founding member of the ILO—signed a Memorandum of Understanding with the ILO to support various national reforms undertaken by the Chinese Ministry of Labor and Social Security. The technical cooperation programs between China and the ILO focus on several priorities, among them:

- Improving employment
- Reducing inequality and poverty
- Promoting international labor standards and corporate social responsibility
- Strengthening social protection
- Improving labor dispute resolution.

Just this year, the ILO has helped organize the China National Labor Forum and the Asian Employment Forum. Moreover, it has held workshops on Decent Work-related topics ranging from workplace discrimination and forced labor to coal -mine worker safety and labor dispute settlement.

Job Creation

Promoting the Employability and Employment of People with Disabilities through Effective Legislation: The ILO is collaborating on this program with national partners to promote legislation on employment of persons with disabilities and to improve the job environment to allow greater opportunities for persons with disabilities in China.

Start and Improve Your Business Program: This U.K.-funded program, which was recently completed, supported small social enterprise start-ups within vulnerable migrant communities.

Social Protection

HIV/AIDS Workplace Education Program: The goals of this program—funded by the U.S. Department of Labor—include preventing the spread of HIV/AIDS at work, developing a national HIV/AIDS workplace policy, educating and training Chinese workers about HIV/AIDS risk behavior, increasing worker protection, and reducing employment discrimination against persons with HIV/AIDS.

Prevention of Trafficking in Girls and Young Women for Labor Exploitation within China: This project aims to prevent young girls and women from ending up in the "entertainment industry." At the national level, the goal is to create a national policy framework. Locally, Chinese partner agencies warn girls of potential dangers, help them find decent jobs, protect labor rights, improve access to social services, and document the projects to help build the policy framework.

Mekong Sub-Regional Project to Combat Trafficking in Children and Women: This project combats the trade in women unknowingly sold as brides to men in rural areas. There is tripartite involvement of the government, workers' groups and employers' groups to combat the problem through more than 15 action programs developed with partner organizations.

Fundamental Rights at Work

Forced Labor and Trafficking Project on the Role of Labor Institutions in Law Enforcement and International Cooperation: With modest funds from the U.S. State Department, the ILO Special

Advancing Decent Work in China: The Role of the ILO *(continued)*

Action Program Against Forced Labor has reviewed Chinese legislation on forced labor and migration, organized a study tour on forced labor for Chinese officials, conducted a Trafficking Workshop, reviewed legal enforcement against trafficking by local governments in three provinces, compiled training manuals for legislators, conducted field research, and held local and provincial training workshops and seminars in the interests of building the institutional capacity to fight trafficking.

Corporate Social Responsibility in the Chinese Textile Industry: This project helps selected textile-producing companies adopt sound management and labor practices to improve employment and working conditions. Research from the pilot tests will determine the usefulness of expanding the approach throughout the entire Chinese textile industry to promote quality business management and sustainable development.

ence. Only two American presidents have attended over the course of the organization's long history: President Roosevelt in Philadelphia in 1944 and President Clinton in Geneva in 1999. An ideal opportunity to launch the ILO on its newly expanded mission would be the International Labor Conference in the middle of 2009, a year which will mark the institution's 90th anniversary.

President Franklin Delano Roosevelt, top, opens the inaugural International Labor Organization meeting in Philadelphia in 1944. © International Labour Organization. President Bill Clinton, below, waves as he receives a standing ovation after addressing a session of the ILO at the United Nations office in Geneva June 16, 1999. REUTERS/GMH/SV/WS.

Finally, the president has a number of tools at his disposal—from shining a public spotlight on effective social entrepreneurial groups, such as Global Fairness Initiative and Acumen Fund, to using Theodore Roosevelt's proverbial "bully pulpit" to press for corporate responsibility—to catalyze innovative multi-sector partnerships to advance decent work globally. In the mid-1990s, for example, presidential leadership in tandem with pressure from civil society groups helped to generate a thorough response to labor-rights concerns within the global apparel industry.[21] While there is much left to be done, it is encouraging that many leading apparel brands now take responsibility for the labor conditions in their sub-contracted factories, where the vast majority of garment workers are young women.

Moreover, these companies, including Nike and The Gap, typically hire independent auditors to monitor their global supply chains and publish their factory locations—steps that would have been unthinkable a decade ago. The next president can build on these achievements to ensure decent work through independent monitoring and disclosure of the global supply chains of U.S. multinational companies in a variety of industries and services.

U.S. multinational companies, the next president, and developing nations could learn from the successful model devised for the apparel sector in Cambodia, where the ILO publishes independent factory reports as part of its Better Factories (now Better Work) program—a welcome change for apparel companies that are accustomed to paying for outside auditors. Where government capacity is weak, partnerships between businesses, labor unions, and non-government organizations can equip workers with the tools they need to help themselves, such as worker rights violation hotlines and alternative mediation mechanisms.

Similarly, the next president should also showcase and promote social labelling initiatives such as Fair Trade certification that advance decent work and sustainable development. For example, an executive order for federal procurement of Fair Trade Certified coffee and other products could generate vast new economic opportunities in rural communities throughout the developing world.

Multilateral Development Banks, Bilateral Donors, and Economic Institution-Building

The next administration should seek a parallel boost in multilateral and bilateral government assistance for the other key aspects of economic institution-building that are especially relevant to combating inequality and marginalization in middle-income countries. In particular, poor domestic investment-enabling environments, such as weak legal protections for investment in private property, poor financial transparency and corporate governance regulations, opaque contract-dispute adjudication, and uneven financial market supervision all contribute to the capital exports and trade surpluses of these countries by reducing the attractiveness of domestic investment. In so doing, they suppress growth in employment and consumption. Similarly, weak or non-existent social, environmental, and consumer protections limit the extent to which the benefits of export-led economic growth filter through to the poor.

The World Bank and regional development banks can do far more to help change this economic dynamic. These institutions are increasingly concerned about becoming obsolescent in middle-income countries as demand for their primary service—direct loans—declines, yet the fight against poverty is far from over in these countries. Instead, it has changed in character. The United States should help these institutions rediscover their relevance in emerging markets by working to align support from their boards and senior management behind four important new priorities.

Environmental, Consumer, and Investor Protections

The United States should lead the international community to strengthen the mandate and capabilities of multilateral development banks and bilateral aid agencies to help countries design and implement basic environmental, consumer, and investor protections. These areas of economic institution-building should become a major focus of the aid establishment in middle-income countries, which will require the development of new skills and, in some cases, much closer work with the private sector where much of the relevant expertise is likely to be found.

This is especially true when it comes to efforts to strengthen investment-enabling economic environments and build domestic capital markets, which must form a central part of any strategy to raise employment and domestic demand in these countries. The two priorities should be to:

- Improve basic investor protections in order to unleash risk-taking entrepreneurs and domestic business investment more widely—by strengthening auditing, corporate governance, bankruptcy, and banking and securities supervision rules and adjudicatory processes.

- Establish mechanisms to improve the flow of domestic savings to individual borrowers of home mortgages and small business loans.

Home and business ownership are powerful enablers of middle-class access for the working poor, and can play an important role in driving an economy's domestic investment and consumption. As financial intermediaries themselves, the multilateral development banks are better suited than any other part of the foreign aid establishment to build the competence necessary to provide the appropriate policy advice and financial backstopping to expand access to credit across society.

Social Safety Nets

The United States should also press the multilateral development banks and bilateral donors to provide additional assistance to countries that are creating or expanding coverage of basic social insurance programs. Improvements in these programs can spur significant increases in domestic consumption, since the high household savings rates in newly industrialized countries are driven in large measure by the financial risks faced by families related to illness, injury, unemployment, and old age.

With the gap between the rich and poor widening in China, President Hu Jintao reiterated his call for a "harmonious society" and a more equitable distribution of wealth within society at the 17th Party Congress in October 2007. AP Photo/Xinhua, Liu Jiansheng.

In China, for example, government and businesses have actually reduced health coverage in recent years. Only 14 percent of the nation's workforce is covered by unemployment compensation and a meager 17 percent are eligible for national pension program.[22] At the current pace at which pension coverage is expanding, universal coverage will not be achieved for another 150 years—even though the Chinese government has plenty of scope to expand this and other social insurance programs since it spends only 3 percent of GDP on them.[23] In 2005, personal consumption in China was 30 percent less in real terms (after adjusting for inflation) than the level that would have been achieved if the household consumption share of GDP had remained at 1990 levels rather than falling by more than 10 percentage points.[24]

Social safety net construction in newly industrialized countries needs to be made a critical part of any international economic strategy to shift middle-income countries from a high savings, export-led model of economic development to one that balances reliance on foreign and domestic demand more sustainably. The World Bank allots less than $2 billion per year in lending for these programs; the next administration should target a tripling of funding for this purpose across the multilateral development banks.

Infrastructure Investment Risk Mitigation

There are enormous unmet infrastructure needs in these countries as well as growing pools of domestic capital and many foreign investors interested in investing in such projects. The problem is that, the risk profile of these types of infrastructure projects—from a regulatory, foreign exchange, or contractual perspective—are often exceedingly high. The multilateral development banks have the potential to mitigate these risks on a much larger scale than they now do today, but by and large they retain a direct lending and grant-making culture that remains relevant to least-developed countries but less so for the much larger group of middle-income countries.

As a result, these multilateral financial institutions are holding unused capital representing about $200 billion of potential commitments and rising.[25] Massive infrastructure investment is a boon for domestic demand and could contribute greatly to helping countries shift over time from export-oriented to more balanced growth with positive spillover benefits for their middle classes and ours.

It is estimated, for example, that increasing Latin America's infrastructure investment to South Korean levels could contribute an additional 1.4 percent to 1.8 percent in annual GDP growth and reduce income inequality by 10 percent to 20 percent.[26] Or consider the gaps in energy and water infrastructure investment in poor countries. The World Bank estimates there is an $80 billion annual shortfall in energy investment, not counting the additional $30 billion that would be required to ensure that these projects were powered by clean energy and a $50 billion annual shortfall in water and sanitation investment.

A key foreign aid priority of the next administration should be to transform the general culture, skill set, and capital-allocation priorities at the multilateral development banks for the purpose of greatly expanding their partial guarantee and regulatory and project development technical assistance activities for infrastructure projects. World Bank President Zoellick's stated interest in modernizing the World Bank and having it become more innovative and sophisticated in taking and managing risk in the manner of private investment banks presents an important opportunity for the next administration to act upon.

Clean Energy Investment Framework

As part of this general shift away from direct lending and toward risk sharing, the United States should seek to build up support for clean energy infrastructure projects by the multilateral development banks as an integral component of a post-2012 climate agreement under the UN Framework Convention on Climate Change. The World Bank and its sister organizations should be directed to leverage their public capital to attract larger amounts of private capital by mitigating risk and buying down the incremental cost of clean technology solutions.

This kind of assistance will help encourage emerging economies to participate in a global response to climate change. And their participation is vital to ensure that reductions agreed to by the United States and other advanced industrialized countries will not be neutralized by rapid carbon dioxide emissions growth in these rapidly growing but still poor countries whose top priority tends to be economic development rather than pollution control.

At the 2005 summit of the G-8 nations in Gleneagles, Scotland, the leaders of the G-8 requested that the multilateral development banks draw up an Investment Framework for Clean Energy and Development that would help respond to this problem. The G-8's objective: to see multilateral public assistance and other donor resources catalyze private sector investment in low- carbon energy systems in developing countries. The next administration could galvanize progress under this emerging framework by committing $5 billion over five years on a matching basis with other donor governments to a cross-MDB facility. This facility would be authorized to deploy grants, concessional loans and/or partial risk guarantees as necessary to encourage private investment in strategically important clean energy investments in developing countries, such as clean coal technologies, natural gas projects, and large-scale renewable efforts involving wind, solar, thermal, and tidal power.

International Monetary System Reform

Strengthening the world economy's virtuous circle and spreading the burden of sustaining global growth more equitably will require the United States to assume leadership on the reform of international monetary arrangements as well. Persistent misalignments and major fluctuations in exchange rates have plagued the international monetary system over the past generation. These sometimes have subjected the livelihoods of American workers to extraordinary volatility and dislocation for reasons having little to do with the underlying competitiveness of the industries in which they work.

Reforms are needed in the international monetary system to reduce the incentive for emerging market countries to undervalue their exchange rates and accumulate large foreign exchange reserves as a hedge against a future financial crises and runs on their currencies. And better mechanisms need to be developed that systematically encourage all governments to think harder about the international implications of their domestic fiscal and monetary policy choices. These objectives can best be achieved by sharpening the mandate and strengthening the corresponding resources of the International Monetary Fund, which in recent decades has strayed sometimes unsuccessfully away from its core responsibilities regarding balance of payments adjustment into such areas as structural economic reform and long-term development finance. A back-to-basics approach is warranted.

First, we should strengthen the IMF's mandate and capacity to assess—publicly and privately—the appropriateness of exchange rate parities as well as facilitate macroeconomic policy coordination to prevent or redress persistent misalignments.[27] While it is neither feasible nor desirable to return to a system of fixed exchange rates, there are a number of less revolutionary steps that could be taken to lessen the likelihood of prolonged currency misalignments and dramatic swings of currency parities within the current flexible exchange rate system. The Fund took an important step in this direction in 2006 when its board approved a process of multilateral surveillance, which includes a series of consultations with key governments to examine the systemic implications of exchange rate relationships and policies. And for the first time in 30 years, in 2007 it updated its approach to bilateral surveillance of currencies, placing greater emphasis on the need for countries to avoid policies—undertaken for whatever reasons—that cause "external instability."

This new consensus on the need for the Fund to play a stronger role in overseeing exchange rates, however, has been slow to develop, and also suffers from a lack of transparency, independence, and candor in implementation. The Fund has begun to develop its own analyses of exchange rate parities and discuss them with governments. And when it receives permission from countries, it routinely issues public summaries of its analyses and consultations. The problem, however—in part because country surveillance activities are ultimately the responsibility of the Fund's Executive Board of shareholder governments rather than its professional staff—is that the Fund rarely states directly that countries are pursuing policies that seriously impede the adjustment of economic imbalances or undermine global economic stability—even though that has clearly been the case in recent years in respect of China and a number of other, mainly Asian, countries. And some countries, including China, routinely block publication of the Fund's analyses and policy recommendations.

Nor does the IMF invoke its authority to require special consultations when member countries fail to respect their long-standing obligation under the Fund's Articles of Agreement to avoid manipulating exchange rates, which its executive board recently defined as "engaging in policies that are targeted at—and actually affect—the level of the exchange rate, which could mean either causing the exchange rate to move or preventing it from moving; and, doing so for the purpose of securing fundamental exchange rate misalignment in the form of an undervalued exchange rate in order to increase net exports."[28] In fact, this authority has only been exercised twice since its creation in 1979.

The net result of this limited use of the Fund's surveillance powers in turn limits the IMF's influence on financial market expectations and public perceptions, leaving the international monetary system without the impartial moral arbiter it needs to look after the health of the global economic system as a whole. The next administration should work with other members of the Fund's board to strengthen the institution's independent execution of its surveillance and macroeconomic coordination functions along these lines.

To enhance the credibility of this initiative, the United States should designate China under its own laws—the currency manipulation section of the Trade Act of 1988—for the straightforward reason that China's practices clearly meet the statute's criteria.[29] And it should not only continue to authorize the public disclosure of its own bilateral and multilateral surveillance discussions with the Fund but also invite the Fund's staff to give greater prominence to its independent estimates of the U.S. dollar's equilibrium range against other important currencies in order to mobilize additional market and political pressure on problem cases.

Second, the next administration should also declare itself open to a significant increase in the Fund's resources for the purpose of insuring member countries against the risk of currency crises, and reducing the corresponding incentive in the international monetary system for emerging economies to run large current account surpluses. To this end, the United States should request a one-year study of innovative options[30] by the staff of IMF and U.S. Treasury Department—with a view to having an IMF board discussion of such options in 2010. Expansion of the Fund's lending resources should be accompanied by a modernization of its governance framework to increase the weight of key developing countries in line with the increased role many of them now play in the world economy.[31]

Third, in line with recommendations made elsewhere in this paper, the incoming administration should advocate steps to place greater emphasis on domestic consumption and policymaking latitude as part of the IMF's advice to developing countries. For example, the IMF could encourage these governments with the help of development finance institutions to create more progressive taxation systems coupled with effective tax collection capabilities. And it could stress the importance of strengthening domestic investment-enabling environments and institutions, such as indigenous banking systems, to mobilize savings among often under-served communities in rural areas and small towns, and among low- and moderate-income families and small business owners. Possible models in this respect include the postal savings system in Japan, credit unions in the Benelux countries and France, publicly supported saving banks in Germany, as well as our own Small Business Administration and various federal home loans programs.[32]

Past U.S. administrations have been reluctant to adjust the mandate, governance, and particularly resources of the IMF in part because this requires approval by Congress, which is historically very skeptical due to the perception of many Democrats and Republicans that the Fund takes an unnecessarily deflationary approach to macroeconomic adjustment in developing countries, which in turn crimps U.S. exports and exacerbates poverty. The next administration, however, should be able to argue for more resources for the IMF from a position of strength, since these proposed reforms would help to *reverse* an important bias against global growth in the international monetary system, and would be part of a broader international economic strategy involving trade, aid, and other policies to improve globalization's contribution to progress in living standards at home and abroad.

Low-Income Countries

Building the Pipeline of Future Middle Classes

The 59, largely sub-Saharan African countries that are classified by the World Bank as low-income (per capita national income of $825 or less) face such vast economic development challenges that our strategy toward them has to be different from the one described above for the 93 nations classified as middle-income countries. The priority cannot be to wean the low-income countries from export-led growth and spread purchasing power more widely among their working populations for the simple reason that they do not yet have much of what we would consider a working class. In most of these countries, the bulk of the working population is engaged in agriculture, often at subsistence levels.

Instead, U.S. policy should aim to help them to the on-deck circle of middle-income status by mobilizing adequate resources to supply basic human needs (health, education, food, safe drinking water, and sanitation), eliminating trade barriers to their exports, and helping them to capitalize on export opportunities by providing major funding and incentives for investment in infrastructure and trade-related productive capacity.

The challenges are so vast in these countries that a significant increase in U.S. foreign assistance is insufficient to the task. What is needed is a new strategic framework that elevates development policy and assistance as critical elements of our global economic strategy and foreign policy; new policies that provide for both flexibility and accountability; and an active commitment to use our resources and influence to leverage the capital and collaboration of other actors in the donor, private sector, and philanthropic communities.[33]

The Bush administration and its congressional partners in both political parties deserve credit for securing a substantial increase in U.S. foreign assistance, increasing the U.S. financial commitment to infectious diseases, elevating good governance, and creating a new mechanism, the Millennium Challenge Corporation, which seeks to invest and consolidate the gains in the developing world's "best performers." Nonetheless, our foreign assistance system is not up to the challenges we face. Our guiding legislation, the Foreign Assistance Act, was written in 1961, and is today littered with multiple and competing goals, objectives, and directives. And development assistance funds and authorities are spread across as many as 26 government agencies, departments, and initiatives, making it near impossible to develop effective or coherent aid packages.[34]

The Bush administration's reform effort—undertaken as part of the State Department's "Transformational Diplomacy" agenda—has added to this complexity and incoherence. And the administration's so-called "F Process," which created a new high-level position in the State Department for foreign aid, has been widely criticized by both Democrats and Republicans in Congress and by the development community for its failure to either elevate development or render our policies and programs more relevant or effective.

Today we have an institutional vacuum into which, ironically, the Department of Defense is now moving. Based on its analysis of the links between poverty and national security, the DoD has substantially increased the number of development programs it now implements alongside increased funding for these new programs. The defense department's recent creation of AFRICOM, a unified military command for Africa, is also leading to proposals to coordinate in some cases programs of various development agencies on the ground.

Third, there is no focal point within government for development policy or management. Fourth and finally, the Bush administration has abandoned the past practice of previous administrations and failed utterly to leverage our assistance to secure comparable increases from other donors. Neither the president's HIV/AIDS initiative nor the MCC were crafted in collaboration with the G-8, for example. The net result of these problems is that our development programs, even if funding as increased, are not designed, coordinated, or implemented on the basis of a clear strategy or the need to ensure accountability to their stakeholders—at home or abroad.

The next administration needs to orchestrate a wide-ranging array of new and existing national economic policy tools to improve the way we help the world's least-developed nations. These policies need to address the bureaucratic inefficiencies that plague foreign aid programs in Washington so that the American people can help other donor nations and the world's poorest people overcome the health, environmental, agricultural, educational, and economic barriers that block their efforts to join the global middle class.

The next president should put development on par with defense and diplomacy by leading an effort to sign into law a new Foreign Assistance Act that reflects the challenges of today's world. In order to elevate development within the executive branch, bring myriad aid policies, resources, and instruments under one roof, and ensure policy coherence, the next president should also create a Cabinet-level position mandated to develop and then lead and implement a single strategy for U.S. humanitarian and development assistance programs, culminating in the creation of a Department of International Development.

To signal the importance of this new post, the president should assign to its occupant the direction of U.S. policy toward the World Bank and other multilateral development banks—a function that now resides in the Treasury Department. The U.S. government, thus prepared to act, could then tackle the full range of pressing issues in the least-developed economies.

Agriculture

In rural areas, where 75 percent of the world's poor reside,[35] the United States should invest its resources and immense ingenuity in a second "Green Revolution"

Low-income countries need basic infrastructure investment: rural water pump near Nyala, south Darfur, Sudan. REUTERS/Zohra Bensemra ZB/DL.

to boost the agricultural productivity of small-scale and subsistence farmers and farm workers, especially in sub-Saharan Africa. To achieve a sustainable livelihood and food security, farmers need:

- Basic financial instruments such as pre-harvest loans to buy seeds, fertilizers, and other inputs
- Training in high-yield agricultural techniques, value-added processing, quality control, and meeting international standards
- Rural infrastructure such as irrigation canals, roads, electricity, and storage facilities.

To further support the agricultural sector on which the majority of the world's poor depend, the United States should change its food aid policy to purchase substantially more food locally, thereby speeding up delivery in emergency scenarios as well as supporting local markets.[36]

Health Care

Primary health care is necessary not only to sustain a healthy workforce but also to prevent the measurable economic costs of disease. The high incidences of HIV/AIDS, tuberculosis, and malaria, in addition to having a devastating human impact, are correlated with lower GDP growth rates in developing countries.37 But despite the promise made by the G-8 leaders to provide near-universal access to treatment for HIV/AIDS, initiatives for all three major diseases have fallen billions of dollars short.

The net result is that the international community is doing more to address the impact of these diseases, but not enough to prevent them from wreaking havoc on the daily lives of billions of people or the economies of the world's poorest countries. The United States has increased its contribution in recent years, but should do more and increase annual funding by $5 billion for:

- The Global Fund to Fight AIDS, Tuberculosis, and Malaria
- The President's Emergency Plan for AIDS Relief
- The President's Malaria Initiative
- Bilateral programs to fight tuberculosis and evidence-based HIV prevention programs

- Incentives for private-sector research into vaccines

But addressing these epidemics is not enough. The United States should also work to reduce high child and maternal mortality in developing countries due to easily preventable diseases and the lack of basic care for mothers during childbirth. To expand the reach of national health ministries in low-income developing economies, we should commit an additional $1.6 billion annually for child and maternal health by 2012, as well as an additional $1.3 billion annually for reproductive health and family planning programs by that same year.

Education

Providing universal access to primary education, especially for girls, is a crucial investment from an economic, political, social, health, and women's rights point of view. Extending enrollment for the 80 million young children out of primary school and the over 250 million out of secondary school[38] not only increases their lifetime earnings, but also improves their ability to make healthy decisions, creates social cohesion, fights extremism, and strengthens the functioning of accountable political systems.

Yet countries whose national education plans have been donor-approved by the Education for All Fast Track Initiative continue to face large financial shortfalls, meaning that many children continue to be left behind. The lack of long-term, predictable funding makes it difficult for poor nations to plan rapid expansions of access and improvements in quality, as opposed to seeing the quality of their schools suffer due to explosions in class size.

The United States should pass the bipartisan Education for All Act of 2007, co-sponsored in the House by Reps. Nita Lowey (D-NY) and Spencer Bachus (R-AL) and in the Senate by Sens. Hillary Clinton (D-NY) and Gordon Smith (R-OR), that would increase funding from $465 million to $3 billion in 2012 to support countries that have been endorsed by the multilateral Education for All Fast Track Initiative as well as those in conflict and post-conflict environments. This expansion would also ensure that the United States is able to support initiatives for children with disabilities or for those caught in trafficking or abusive child labor.

Such funding should also promote successful strategies to enhance access, such as abolishing fees or expanding conditional cash transfer programs like those that have proven successful in Brazil and Mexico, while also promoting gains in quality and learning outcomes.

Clean Water and Sanitation

Lack of access to clean water and sanitation has an adverse economic impact on over a billion people around the world. Eighteen percent of the world's population, or 1.1 billion people, do not have access to clean drinking water, while 42 percent, or 2.6 billion people, do not have access to basic sanitation services.[39] Cost-effective infrastructure investments can greatly reduce the incidence of water-borne diseases, increase attendance in schools, and yield even greater economic benefits. The United States should commit to increasing annual development assistance for water and sanitation projects by $1.3 billion immediately.

The United States should also fully implement the Sen. Paul Simon Water for the Poor Act of 2005, which made access to clean water and sanitation a key component of U.S. foreign policy, and directed USAID to devise an overall strategy to address the issue.

Trade

With regard to trade, we should build upon the African Growth and Opportunity Act, or AGOA, and provide least-developed countries in sub-Saharan Africa and elsewhere with 100 percent duty-free, quota-free market access to the U.S. market, substantially diversifying existing benefits beyond oil and gas—the primary beneficiaries of AGOA so far—and most significantly, extending access for agricultural and apparel products. The recently introduced New Partnership for Development Act marks a good start toward achieving this goal. The NPDA provides market access to a greater extent than AGOA does today, especially with regards to agricultural goods.

Just as important, the United States must invest heavily in "aid for trade" to address the many supply-side constraints that prevent less-developed economies from taking advantage of existing trade preferences and integrating successfully into the global economy.

Labor Rights

Country eligibility for special, duty-free market access and trade-related capacity building assistance should be made contingent upon satisfactory participation in an ILO Decent Work Country Program. Low-income and other gradually emerging economies face tremendous challenges in extending opportunities for decent work to their citizens. To begin with, the majority of working-age adults operate in the informal sector, whether as self-employed merchants, small-scale subsistence farmers (who own a little land), landless farm workers, or other precarious and low-paying lines of work. The ILO has estimated that the informal sector comprises 72 percent of non-agricultural employment in sub-Saharan Africa.[40]

In many low-incomes nations in sub-Saharan Africa and elsewhere, the formal economy comprises a small portion of overall workers, and the organized workforce—typically clustered in the capital cities, where they enjoy disproportionate political clout—is a small subset of that. In this context, any paid work is valued when compared to subsistence or starvation. With workers so vulnerable and governments typically lacking the necessary resources to enforce laws related to child labor and the minimum wage, it is important to make a program of Decent Work assistance a formal part of participation in our reformed trade preference programs to help take core labor standards from paper promise to reality.

Energy

The United States should use its leverage to bring all of the stakeholders to the table—donor governments, host governments, the international and host country private sectors, private philanthropy, and NGOs—to generate the capital necessary to build the infrastructure that economic integration demands. While the needs are great across a broad range of sectors—transportation and communications among them—energy may be the most strategic point of entry. All of the world's poorest countries—and even its

Harnessing Trade for Decent Work: Cambodia

The prospect of increased trade with the United States has helped advance the Decent Work Agenda in low-income countries facing major development challenges. In response to pervasive labor rights violations in Cambodia in the mid- 1990s, the Clinton administration developed a new type of trade agreement based on positive incentives rather than pursue the more traditional, punitive path of revoking the country's trade preferences. Under the 1998 U.S.-Cambodia Textile Agreement, the United States agreed to annually increase the quota for textiles and apparel that it imported from Cambodia duty-free so long as the Southeast Asian nation made consistent improvements to the working conditions in its garment factories.[41] Given the previously weak capacity of the Cambodian government for safeguarding workers' rights, the ILO assumed the role of a credible labor inspector and public information source as part of its Better Factories program.

According to Sandra Polaski of the Carnegie Endowment for International Peace, "The project combines roles for local and international actors in previously untried ways and relies on a combination of private self-regulation with limited but essential public interventions."[42] As the only U.S. trade pact with an active mechanism to monitor labor rights compliance, another scholar observes that "[t]he U.S.-Cambodia Bilateral Textile Agreement is commonly cited as one of the great successes of labor provisions in trade agreements. Working conditions have generally improved in the country, and factories have been more vigilant in implementing labor laws."[43] Specifically, the agreement and its legacy have enabled Cambodia to make considerable progress in addressing widespread concerns about payment of wages, health and safety issues, and freedom of association.

With the 2005 expiration of the Multi-Fiber Agreement and thus the U.S. quota for Cambodian clothing imports, observers expected that the monitoring arrangement would dissolve and that Cambodia would a suffer massive loss of textile jobs to its more industrialized neighbors. But U.S. and other major apparel firms typically continued subcontracting with Cambodian factories because they value the credible information and independent monitoring that the ILO provides. As a result, the Cambodian government has continued the monitoring program with the support of the ILO, and an independent Cambodian NGO will assume full responsibility for labor rights monitoring in 2009.

oil producers—are dependent on the import of fossil fuels, and also the most vulnerable to the impact of climate change.

With world oil prices on the increase, many are seeing the erosion of limited foreign exchange reserves and of the financial gains borne of debt relief. By focusing on bringing to bear the technology, aid resources, and investment capital needed to build out a renewable energy capability in these countries, the United States can fill a strategic infrastructure gap, help reduce economic vulnerability, and take the first step toward addressing the impact of global warming on the countries that have the least ability to withstand it.

As discussed in the "Capturing the Energy Opportunity" paper in this *Progressive Growth* series on economic policy, U.S. policymakers should direct a meaningful portion of the revenue generated by a cap-and-trade auction to help impoverished nations develop modern, low-carbon energy systems and adapt to climate change. It is also important for the United States to encourage close collaboration between the World Bank's clean energy activities and the ILO's Green Jobs initiative so that sustainable development projects create decent work in countries where quality jobs are scarce.

The Way Forward for Low-Income Countries

Helping low-income countries surmount the formidable obstacles they face in reaching the take-off stage of industrialization and middle-income status will re-

Harnessing Trade for Decent Work: Lesotho

Lesotho, a small nation in southern Africa, faces enormous economic challenges, from landlocked geography to weak infrastructure to very high levels of HIV/AIDS infection in the working-age population. Some 70 percent of Lesotho's population are subsistence farmers operating in the informal sector.

But Lesotho has taken full advantage of foreign investment in its apparel manufacturing sector, which employs 45,000 of the country's 2 million citizens. Thanks in large part to the U.S. African Growth and Opportunity Act, or AGOA, passed in 2000, Lesotho's overall exports to the United States have increased more than six-fold over the last decade.[44] Despite its small size in an intensely competitive industry, Lesotho accounted for nearly one-third of the $1.3 billion in apparel that all sub-Saharan African economies exported to the U.S. market in 2006.[45]

To strengthen respect for core labor standards in clothing factories while boosting competitiveness, the ILO has established an effective partnership with the World Bank's International Finance Corporation called the Better Work program. Better Work builds on the success of the ILO's Better Factories program in Cambodia, which was set up as part of the innovative 1998 U.S.-Cambodia Textile Agreement (see text box). The Better Work program is demonstrating that taking what ILO Director-General Juan Somavia has called "the high road to economic and social development" benefits local workers—most of them young women—and factory owners, as well as U.S. brands and consumers.

Better Work is a core component of the ILO's Decent Work Country Program in Lesotho. With input from government, business, and labor and with donor support from various developed country partners, the ILO is also advancing the other three pillars of the Decent Work Agenda in Lesotho:

Job Creation. Support for small- and micro-enterprise development projects, especially with low-income women and youth

Social Protection. Technical assistance to improve the coverage, efficiency, and governance of the social security system

Social Dialogue. Training of worker and business organizations in representational skills and negotiation to boost participation in national policy discussions

quire an intensified and integrated effort encompassing all of these pieces—basic human needs, trade preferences, investment in infrastructure and productive capacity, and laying the groundwork for decent work. The challenges are complex and demanding.

While our most generous assistance strategies should logically be directed toward those countries that are performing well and where forward political and economic gains can be consolidated, we cannot afford to ignore weaker states or those in crisis. It is equally critical that we develop a more comprehensive and effective approach to supporting good governance. The Bush administration's approach to linking development assistance with good governance is flawed and should be improved in four areas.

Workers at their sewing machines in the Shining Century textile factory in Maseru, Lesotho, where the ILO has worked with key stakeholders to develop a Decent Work Country Program. AP Photo/Ben Curtis.

First, the criteria embodied in the Decent Work Agenda are nowhere addressed. Second, aid for trade capacity-building assistance should be integrated into the overall aid program for a country rather than structured as a separate basket of funds administered by a separate part of the government. Third, aid strategies should be linked to assessments of a country's trade and investment potential, including as determined by consideration of the export and private investment opportunities created by the country's participation in trade preference schemes or the changes brought about by a new WTO Doha Round agreement.

Finally, good governance is not an agenda that the U.S. government alone supports—nor is it one that the world's poorest countries reject. On the one hand, the United States needs to make much better use of multilateral instruments to advance good governance in poor countries by, for example, joining the Extractive Industries Transparency Initiative and supporting the work of the United Nations, and business and civil society organizations that have important initiatives in this field. On the other hand, the United States needs to strengthen the demand for good governance by and within the world's poorest countries. This means making greater use of analysis and data generated by the developing world, and supporting those governments, regional organizations, and civil society organizations that have established good governance as a priority.

Developed Countries

Removing Barriers to Growth and Exerting Leadership to Update Multilateral Institutions

Europe and Japan present yet a different set of challenges for the world economy's virtuous circle. For years, they have been growing too slowly, aggravating global imbalances and U.S. trade deficits in the process. The problem in these countries is mainly inadequate structural and supply-side reforms, although Europe's relatively rigid monetary and fiscal framework may also contribute to the problem.

The policy changes that are needed are no mystery. Europe identified them seven years ago when it agreed to implement the so-called Lisbon Agenda of reforms at the 2000 EU Summit. Japan has been debating its own familiar list of reform priorities for years. In both cases, the pace of implementation has been extremely slow, with the result that the growth potential—non-inflation inducing "speed limit"—of Europe's and Japan's economies remains stuck at levels below 2 percent.

Rather than succumb to current fashion and pursue bilateral Free Trade Agreement negotiations, the top economic policy priority of the United States regarding these countries should be to spur implementation of structural economic reforms that raise their economic growth potential. To this end, the next administration should build upon the opportunity created by the Transatlantic Economic Council bilateral regulatory cooperation process spearheaded by German Chancellor Angela Merkel by proposing to expand the content of the discussion and include Japan.

While agreeing to explore upward regulatory convergence in accounting, financial market regulation, consumer safety, intellectual property protection, and certain key market sectors, the next administration should seek to open a second Economic Growth and Transformation track of policy discussions that would address three structural challenges that all advanced economies face. The discussions would be chaired by national economic advisors and supported by the OECD.

The first aspect of this structural dialogue among advanced economies would focus on investigating models and sharing experience regarding the challenge of balancing growth and social cohesion in the face of the heightened pace of technological change and competition accompanying globalization. Our main interest here should be to encourage Europe and Japan to shoulder increased responsibility for sustaining global growth, particularly by increasing competition in product and services markets in ways that are consistent with strong levels of social protection.

But since there is much the United States needs to do to adapt our own social compact to contemporary circumstances, we may find that there are aspects of the European experience worth learning more about. Two examples are the flexi-security systems of some Scandinavian countries and the health insurance arrangements of countries such as the Netherlands and Switzerland.

The other aspects of this structural dialogue would address two crucial, related transitions that all advanced industrialized countries must navigate over the next decade—weaning national economies from carbon-intensive forms of energy and rural economies from trade-distorting agricultural supports. Tackling these twin imperatives will require greater international cooperation for reasons of both fairness and expedience.

Failure by countries to reform their agricultural and energy policies in parallel will sooner or later generate complaints about unfair competition that are likely to aggravate trade tensions. And the crash research-and-development efforts and intensified application of best available technology that are the *sine qua non* of any credible strategy to stabilize greenhouse gas atmospheric concentrations by mid-century will be much less effective and more costly if these countries pursue their strategies in isolation of each other.

Cases in point: it makes little sense for the United States, Europe, and Japan to pursue independent carbon capture-and-storage research programs as they now do; and the United States in particular has a great deal to learn from Japan in raising industrial energy efficiency.

The other critical responsibility of advanced industrialized countries in rebalancing global growth and improving the gains to median living standards from global integration is to support major renovations in the primary multilateral economic institutions. The agenda outlined earlier in this report proposes major upgrades to the mandate and capabilities of the International Labor Organization, World Bank, and regional development banks, and International Monetary Fund. They have a critical part to play in implementing a Roosevelt Consensus to improve the quality of global integration. These include:

- Strengthening the ILO's monitoring and labor institution-building activities in a worldwide campaign for Decent Work
- Redirecting the strategy of multilateral development banks in middle-income countries toward economic institution-building, private investment risk mitigation, and clean energy financing
- Strengthening the IMF's surveillance, macroeconomic coordination, and crisis prevention mandate and capabilities

These are the most important changes required to adapt these organizations to the profound changes that decades of economic growth and integration have brought to their operating context. The United States, Europe, and Japan account for the bulk of the financing and votes of these institutions. We have a shared responsibility to provide coordinated leadership to bring them fully into the 21st century. The next administration should make achieving agreement on this slate of institutional reforms a central part of its leadership agenda for the G-8.

The United States, Europe, and Japan also have a special responsibility to be good stewards of the international trading system. Here the challenge is not so much to update the World Trade Organization as an institution, since it is only a decade old. Rather, it is to rescue the organization's flagship initiative, the Doha Development Round,[46] while setting the stage for its next mission.

The key to the successful conclusion of the Doha Round is a strategy in which the leading industrialized nations accept major reductions in trade-distorting agricultural supports while instituting a collective shift to other forms of rural economic and environmental-friendly subsidies. The United States can lead by example by modernizing its rural safety net to serve more farmers and reinvest a modest portion of current funding for agricultural commodity programs toward the further development of new renewable energy sources through these initial steps.[47]

- ***Make green payments and reinvest direct payments toward renewable energy.*** Reward all U.S. farmers for environmental stewardship, including growing dedicated energy crops sustainably, by encouraging reinvestment of $5.2 billion in commodity-based direct payment subsidies into green payments for environmental programs on working lands.

- ***Enact stricter payment limitations to ensure that assistance goes to actual producers***. Reduce payment limits to $250,000 per farm from the current $360,000. Other WTO-member nations must make similar farm tariff and subsidy reductions in their agricultural and industrial sectors.

- ***Reduce biofuel import tariffs.*** As part of an increase in a sustainable renewable fuel standard and other initiatives, the United States must signal its willingness to begin a gradual phase-out of the current 54 cent-per-gallon tariff on imported biofuels. All other countries must take reciprocal action to remove trade restrictions and liberalize trade in biofuels.

- ***Promote sustainable biofuel production.*** In combination with improved fuel economy, an investment in advanced biofuels must be accompanied by enhanced environmental safeguards and incentives for biofuel producers to conserve land and water resources, maximize lifecycle greenhouse gas reduction methods, and grow energy crops in a sustainable manner. Any consideration of utilizing land currently enrolled in farm bill conservation programs for biofuel production must ensure the primary conservation goals of the programs are not compromised. The use of transparent certification and labeling criteria to encourage sustainable production of biofuels in a voluntary Renewable Fuels Program, such as the one CAP is advocating, should be implemented immediately. Farmers must have a central role in this effort.

Finally, the next administration—anticipating the completion of the Doha Round and a satisfactory harvest of growth-enhancing structural reforms with our main partners in Europe and Japan during its first term—should prepare the ground for a new and different set of multilateral trade negotiations in a second term. In partnership with Europe, Japan, and other advanced countries that have well- developed regulatory regimes in the key areas of labor, environment, consumer safety, and investment, we should plan to start negotiations under the auspices of the WTO to eliminate tariffs and harmonize, strengthen, and rationalize rules of origin, standards and other miscellaneous features of the group's various and sometimes overlapping free trade agreements that serve to complicate business and divert trade around the world. As part of these negotiations, this pioneer group of countries should also seek to harmonize their trade preference regimes with low-income countries. The proliferation of bilateral FTAs and trade preference arrangements over the past decade has made trade diversion and business complexity a serious problem. Such a multilateral process to harmonize FTA and other trade preference programs among advanced countries would represent a sensible intermediate step for the WTO to take between the Doha Round and the ultimate 21st century goal of a worldwide free trade area, which is presumably decades away.

Conclusion

For years, our foreign economic policy has been incoherent and adrift, allowing public doubts over global economic integration to proliferate without a serious response. This part of the *Progressive Growth National Economic Strategy for the Next Administration* outlines a new direction—a strategy to focus international trade, aid, and monetary policy on two central objectives:

- Diversifying the foundations of global economic growth
- Strengthening the payoff to broadly rising living standards at home and abroad from such growth.

The next administration will be able to show it has a plan to prevent a race to the bottom and transform it into a race to the top.

Just as other parts of the *Progressive Growth* strategy demonstrate that there is much at home we can do, consistent with market principles, to strengthen labor's share of national income and make our middle class more resilient in the face of the accelerated pace of change in the economy, this part of the Center's economic strategy for a new administration shows that there is much abroad we can do consistent with openness to accelerate the pace of economic growth and the emergence of a larger and more prosperous middle class of potential customers for American goods and services.

Together, such domestic and foreign economic policy reforms are needed to strengthen the virtuous circle of strong, synergistic advances in median living standards in the United States and overseas. This new strategy would help to rebalance the world economy, strengthen progress in middle class living standards, and shore up public confidence in globalization by:

- Reducing the macroeconomic, structural, and institutional biases that suppress growth in domestic consumption in middle-income developing countries, leading many of them to generate unduly high domestic savings and foreign trade surpluses.
- Linking free trade agreements with newly industrialized countries to core labor standards, environmental standards, and a wider agenda of economic institution-building, including the ILO's Decent Work Agenda, to ensure that expanded trade and investment is fully translated into broad gains in living standards.
- Raising the growth potential of developed economies by applying more pressure on them to undertake long-delayed structural economic reforms and embarking together on a transition to clean energy and less trade-distorting agricultural production.

- Boosting progress in low-income countries by fully funding assistance related to the Millennium Goal's basic human needs targets.

- Expanding market access for least-developed countries through special trade preferences, and providing trade-related productive capacity building assistance to help these countries capitalize fully on the opportunities created by these trade preferences and the outcome of the Doha WTO Round.

- Modernizing the IMF, World Bank, regional development banks, and ILO, and focusing them in a coherent fashion on the biggest challenges posed by global economic imbalances and integration.

The combined effect of these policy changes would facilitate a more orderly adjustment of America's enormous current account deficit and relieve the intense political pressures on trade policy driven by U.S. public doubts about the impact of globalization on living standards. By moving on a variety of economic policy fronts to reduce the principal distortions and exploit the primary opportunities that can more fully activate the world economy's virtuous circle, the next administration will be able to show it has a plan to prevent a race to the bottom and transform it into a race to the top. And by doing so, the next administration will be in a better position than any of its predecessors to elevate public discourse on these issues—something that is in everyone's interest.

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Some of the policy analyses and recommendations in *Progressive Growth* were previously published in the following sources, listed in reverse chronological order. All materials were published by the Center for American Progress unless otherwise noted.

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To be published in *Issues in Science and Technology*
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