



The American Economy as It Could Be in 2030

Our Future Can Feature Prosperity and Opportunity for All

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Try to picture the U.S. economy of 2030. It's easy to paint that picture as a grim extension of our current morass: a second-tier power with declining middle-class incomes, third-rate schools, a fragile economy vulnerable to volatile oil prices not under our control, a weak industrial sector, and only pockets of prosperity. But that picture is only one possible outcome. The American economy of 2030 is a choice, not a destiny.

In this brief essay we paint a different picture of an American economy in the year 2030. It is, we admit, an optimistic picture. But it is also a picture of an economy that we believe is achievable with wise policy choices. The Center for American Progress sketched out many of these policies in the past and will be expanding on them in the coming months.

Together these policies will comprise a forward-looking economic agenda that takes full advantage of the talents and work ethic of the American people and the power of private enterprise to create wealth and improve the quality of life. But for this essay we focus on where we're headed, not how we get there.

The United States in 2030

In 2030 the world population will be 8.3 billion people, 1.4 billion more than in 2011. Of those, our nation will have 360 million, up 50 million from 2011.¹ The United States in 2030 is a mix, as we have always been, of people born here and people who have come to build a brighter future. The country is diverse racially and includes those of many faiths.

The United States is still the world's largest consumer market, though the European Union is a close second and China has almost completely closed the gap on size of market.²

We are the most prosperous country in the world, with success that is fueled by a vibrant middle class. We still enjoy the highest gross domestic product per capita—a broad measure of the nation's per-person income—of any of the developed world's large nations.³

Also, critically, we have once again shown that economic growth is strongest when it represents a shared prosperity because family incomes (after adjusting for inflation) are growing at 5 percent annually across all levels of society.

In fact, the middle class is bigger and stronger than it has ever been in the history of our nation. Many of those who in earlier times would have languished in poverty are firmly established as part of this expanded middle class as the ladder of opportunity is readily available to the poor and disadvantaged. America is a country where anyone can get ahead through education and hard work. Those who temporarily can't work through illness or other limitations are helped back into the economic mainstream. And there is an effective social safety net that protects against the risk of long-term incapacity.

This strong and secure middle class is contributing to strong economic growth as handsome incomes underpin economic demand, which in turn is motivating investment. These middle-class incomes also support middle-class savings that are a source of capital for the nation. The middle class is further serving as the breeding ground for the nation's new entrepreneurs, innovators, and creators. Middle-class values have created an environment that is fostering needed investments in education, infrastructure, and other building blocks to a strong economy.

The United States in 2030 boasts the preeminent workforce in the world, a position made possible by workers who are well-educated and who have access to lifelong training, meaning that even though job security in a changing world is not always possible, employment security can be. The foundation of that education starts in pre-kindergarten, which is available to all children and continues through our reformed public school system. By 2030 we have eradicated the glaring gaps in educational achievement so evident only two decades previously.

Indeed, household income is a much smaller determinant of educational outcomes than in the past.⁴ Everyone has access to high-quality, well-targeted, post-high-school training and education at a reasonable cost. Our universities are collectively the envy of the world. America also is training smart in 2030. Skill shortages are quickly addressed because there is a high degree of partnership between industry, educational institutions, and government at all levels to ensure high-growth sectors are filled with high-skilled workers.⁵

Union membership is strong, allowing for increased cooperation between business and labor, both of which have an interest in long-term success. Unions have also helped reinforce the connection between productivity gains and wage gains. This has helped further strengthen the middle class.⁶

Our nation's racial, ethnic, and cultural diversity is a defining strength of American exceptionalism. The many and varied backgrounds of our workers and the talent across our regions encourages innovation.⁷ Our workforce is characterized by its creativity and operates in a system that rewards new ideas. America continues to be both the world's

great laboratory and also the best place to commercialize discovery, with promising ventures able to find capital in a flourishing private sector.

Thus the United States continues to design many of the most sought-after products in the world, creating new markets along the way—and we have proven that our workers are often the best placed to make them. American manufacturing is thriving. As new technologies emerge, the United States gains its share of new industry with a skilled workforce, available capital, and high productivity.

Our industrial commons is strong, too, meaning that we have retained our edge in innovation—both from new ideas springing from basic and applied research and development (where we outspend other countries and make up a substantial share of total global investment) as well as the process improvements that come from having a strong manufacturing sector.⁸

Our broad-based prosperity and opportunity-driven society are sustained in 2030 by a global system where all the major economies play by the rules and there are effective mechanisms to ensure fairness and balance. This, combined with our buoyant exports and wisely calibrated balance of investment and consumption, have returned us to a more balanced position of trade. America is the headquarters of many global corporations and we also attract a high level of foreign direct investment, which further helps create and retain jobs.⁹

Unemployment is at 5 percent and we have created an additional 34 million jobs over the last 20 years. A significant proportion of those are green jobs, because America is once again considered the top country in the world for renewables investment.¹⁰ This investment allows us to diversify our energy supply and also helps us stay on target for decreasing carbon dioxide emissions by 80 percent by 2050.¹¹

And the United States is in a strong financial position, with an efficient and fair tax system, affordable health care costs, and a growing economy—all of which allow for key investments that keep us competitive as a nation while maintaining a fully balanced budget.¹² In particular, we have rebuilt our infrastructure, which now attracts rather than concerns investors from around the globe.

But the most defining characteristic of America in 2030 is that as the world changes and new industries from robotics to synthetics to personalized medicine develop, we prove as a nation capable of adapting, competing, and succeeding. Young people in the United States can be confident that they can be part of—and share in—America's prosperity.

Exceptionally American in 2030

Is this an optimistic portrayal of America in 2030? Yes. But for most years in our history, it is no more optimistic than the America we achieved would have looked 20 years previously. Nor is it more optimistic than how the people of China, Brazil, India, and many other countries see their 2030s.

The United States starts with huge advantages. We are the richest country in the world. We have outstanding universities and colleges. We have incredibly advanced technology and account for more than a third of global R&D spending.¹³ We have the most productive workers of any large developed country.¹⁴ We attract the ambitious and brilliant from around the world. We have a motivated, inventive, striving population that is willing and able to work and achieve. We offer stability and safety through our respect for the rule of law. We are the home to dominant global corporations and striving small businesses.

As Robert F. Kennedy once remarked, “the future is not a gift, it is an achievement.” Much of whether the 2030 American economy looks something like we describe here is up to us.

That isn’t to say, of course, that the United States is an island and our future is strictly up to us. We abide in an ever-changing world with many nations in ascendance. But good news for the rest of the world should also be good news to us. Economist and Nobel Laureate Michael Spence has coined this current phase of global economic development “the inclusiveness revolution,” noting that by the middle of the 21st century, “perhaps 75 percent or more of the world’s people [will] live in advanced countries.”¹⁵

This is good news for global living standards and will translate to a growing marketplace for products and services from the United States. As incomes grow elsewhere, so should they in the United States. The next 20 years need no more be a zero-sum for the world than the past 1,000 years. Will American workers and businesses face greater competition over the next 20 years than the last 50? Sure. But the competition comes precisely because other parts of the world are growing and prospering. There’s more competition but it’s for pieces of a bigger pie. There’s no reason that our country can’t be hugely successful in that competition.

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Endnotes

- 1 "World Population Prospects, the 2010 Revision," available at <http://esa.un.org/unpd/wpp/unpp/p2k0data.asp>.
- 2 In McKinsey's 2010 report, "Meeting the 2030 French Consumer," Exhibit 1 shows consumption in volume terms projected to 2030—with the United States with the largest share (declining), Europe (40 countries, excluding CIS countries like Russia) with the second-largest share (also declining), and China with the third-largest share (rapidly increasing). See: McKinsey & Company, "Meeting the 2030 French Consumer" (2010).
- 3 According to the OECD's 2010 Factbook, only Luxembourg and Norway have a higher GDP per capita than the United States. See: http://www.oecd-ilibrary.org/economics/oecd-factbook-2010/gdp-per-capita-table_factbook-2010-table27-en
- 4 For estimates of the cost of the achievement gap, see: McKinsey & Company, "The Economic Impact of the Achievement Gap in America's Schools" (2009).
- 5 For a projection of the skills shortage in 2018, see: Anthony P. Carnevale, Nicole Smith and Jeff Strohl, "Help Wanted: Projections of Jobs and Education Requirements through 2018" (Washington: The Georgetown University Center on Education and the Workforce, 2010), available at <http://www9.georgetown.edu/grad/gppi/hpi/cew/pdfs/FullReport.pdf>.
- 6 David Madland and Nick Bunker's paper "As Unions Weaken So Does the Middle Class" highlights that "in 1968, the share of income going to the nation's middle class was 53.2 percent, when 28 percent of all workers were members of unions. Since then, union membership steadily declined alongside the share of income going to the middle class. By 2010, the middle class only received 46.5 percent of income as union membership dropped to less than 12 percent of workers." See: David Madland and Nick Bunker, "As Unions Weaken So Does the Middle Class" (Washington: Center for American Progress Action Fund, 2011), available at http://www.americanprogressaction.org/issues/2011/09/madland_unions.html.
- 7 Scott Page, "Diversity Powers Innovation," Center for American Progress, January 26, 2007, available at http://www.americanprogress.org/issues/2007/01/diversity_powers_innovation.html.
- 8 To see what happens when this "industrial commons" is lost, see: Gary P. Pisano and Willy C. Shih, "Restoring American Competitiveness," Harvard Business Review, July/August 2009.
- 9 CIA World Factbook shows the United States ranked No. 1 for FDI in 2010. See: "The World Factbook," available at <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html>.
- 10 Ernst & Young's All Renewables Index at May 2011 ranked China No. 1 and the United States No. 2. See: Ernst & Young, "Renewable Energy Country Attractiveness Indices" (2011), available at [http://www.ey.com/Publication/vwLUAssets/Renewable_energy_country_attractiveness_indices_-_Issue_29/\\$FILE/EY_RECAI_issue_29.pdf](http://www.ey.com/Publication/vwLUAssets/Renewable_energy_country_attractiveness_indices_-_Issue_29/$FILE/EY_RECAI_issue_29.pdf).
- 11 In 2009 the G8 agreed to cut emissions by 80 percent by 2050.
- 12 The Center for American Progress offers a plan for primary balance by 2015 and a fully balanced budget by 2030 in: Michael Ettlinger, Michael Linden, and Seth Hanlon, "Budgeting for Growth and Prosperity: A Long-Term Plan to Balance the Budget, Grow the Economy and Strengthen the Middle Class" (Washington: Center for American Progress, 2011), available at http://www.americanprogress.org/issues/2011/05/budgeting_for_growth.html.
- 13 Battelle, "2011 Global R&D Funding Forecast" (2010), available at <http://www.battelle.org/aboutus/rd/2011.pdf>.
- 14 "The Conference Board's Total Economy Database, Summary Statistics 1995 - 2011," available at http://www.conference-board.org/retrievefile.cfm?filename=SummaryTable_Sep2011.pdf&type=subtitle
- 15 Michael Spence, The Next Convergence: The Future of Economic Growth in a Multispeed World (New York: Farrar, Straus and Giroux: 2011).