

Center for American Progress



# A More Perfect Union

A Policy Blueprint for Economic, Social, and  
International Rebuilding in the Post-COVID-19 Era

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# Introduction and summary

The next decade will prove pivotal to the future of the United States. America will either adopt an ambitious program of national rebuilding and address the serious challenges of the present day, or it will confront continued national stagnation. National rebuilding requires bold, immediate, and interlocking action to subdue a devastating pandemic, recover from the resulting economic collapse, reduce societal inequalities, address climate change, and navigate the shifting tectonic plates of the international system. America's current predicament demands political courage to pull the country together and take necessary action.

The coronavirus shock revealed critical deficiencies in how America's government, private economy, and entire way of living have developed over the past few decades. A U.S. government that successfully mobilized to get out of the Great Depression completely failed over the past year to identify, prepare for, and contain the COVID-19 pandemic, while also failing to ensure the basic well-being and economic security of many citizens in the aftermath. This is not the only crisis America faces. Climate change is already here, and the nation must not repeat these same failings—ignoring science and leaving the American people exposed to future harm and economic disruption.

Although the coronavirus affected people across the socioeconomic spectrum, the unprecedented economic downturn exposed glaring racial and class inequalities in job security and wages, access to health care, and economic safety nets. Indeed, America faces serious challenges that have accumulated over time and been exacerbated by the coronavirus pandemic. Too many people lack good jobs with livable wages and benefits. Economic divisions between and within groups and regions of the country are growing, not closing. There is a need for better physical and digital infrastructure built here in the United States using clean energy sources. And the United States must develop policies to protect American workers and interests while also joining with international partners to tackle common security threats and truly global issues that the country cannot solve on its own.

America's future depends as much on constructive international cooperation with fellow democracies as it does on rebuilding America's domestic economy and recovering from the COVID-19 pandemic. The United States cannot be safe, secure, and prosperous at home without active involvement in the world, and America cannot take on its international responsibilities without a strong and resilient society at home. Taking control of America's future will require a wide lens on the world in order to identify and address emerging challenges such as public health and climate threats. Moreover, new economic opportunities, rules, and markets must be shaped to better serve American workers and businesses.

Over the past quarter-century, however, the connection between domestic and foreign policy has unraveled in the minds of most citizens. Many Americans have come to view U.S. international involvement as undercutting, rather than advancing, American interests. The coronavirus pandemic has exposed and amplified weaknesses in the U.S. political system and economy at a time when other countries, particularly China, offer a competing model for the rest of the world. China's model is dominated by an authoritarian government that controls strategic resources, allows only private enterprise loyal to the Communist Party, and seeks to assert China as an alternative to America's democratic capitalist system around the world by using economic tools and technology to expand its influence. At the same time, the pandemic has amplified the way in which key global challenges—such as public health, climate change, the economy and jobs, and migration—demand international cooperation. As investments are made in strengthening America at home, new ways of working with other countries that can support national renewal must also be explored.

America's advantage in times like these is its ability to shift gears quickly and renew its purpose. The nation must link the renewal of America's domestic economy and social safety net with a revived approach at international cooperation that prioritizes diplomacy and relations with like-minded democratic countries. The United States can foster a sense of common purpose at home and seek solidarity abroad, especially with leading economies willing and able to work in cooperation with the United States to offer an alternative to China's model. Leaning on existing partnerships and alliances—as well as international institutions, to the extent possible—the United States can help stabilize a fraying international system and globalized economy in ways that will better take care of Americans.

The scope and scale of many of these challenges is overwhelming to Americans. Contemporary political and media discourse too often makes the country's divisions seem intractable if not permanent. Furthermore, gridlock in national politics undercuts all Americans' trust in government institutions.

If America wants to move forward as a nation, it needs to shift its overall mindset. As the crisis moment lifts, the country needs to seriously ask itself: What comes next? How should concerned Americans across the ideological spectrum start to rebuild, repair, and reshape the economy and society for the betterment of all people?

First, there must be an acknowledgment that these problems cannot be fixed overnight. Step-by-step actions need to be taken today to start laying the foundations for a stronger America tomorrow. Second, no one person or political party will lead America out of this quagmire. An inclusive group of people across the country and in leadership positions throughout government, business, and civil society must be enlisted to help rebuild the country. Third, Americans should free themselves from false choices between goals such as economic growth and greater equality; opportunity for individuals and security for families; or policies focused on the home front and international aims. America's revitalization will require the nation to combine these goals more fully if it wants to move forward successfully with all of its people included.

There is no single idea or ideological approach that will solve America's ills. Americans need to pull together the best ideas across the spectrum, forge near-term consensus on practical actions for economic and social renewal, and push aside other divisions that lead to inaction and paralysis.

To that end, the Center for American Progress presents the following framework for national action centered on an expansive but achievable set of multiyear goals to rewire America's economy, rebuild the social safety net, and reconnect America with the rest of the world.

# The basic blueprint

Priority number one for leaders is clearly the need for coordinated federal and state action to control the coronavirus pandemic and implement widespread vaccinations over the next year in order to allow economic rebuilding to continue safely.

As the United States deals with the COVID-19 crisis, it must also act on a parallel track to lay the foundations for a future economy. Rewiring America's economy to run on 100 percent clean energy, to promote greater equality, and to educate a new generation of workers will not only create high wage jobs today but also set up the United States for success in facing the changes and challenges still ahead. National industrial policy—the coordinated effort to advance America's overall economic development—will be needed to help drive public and private investments into the sectors and sources of good jobs, including technology; clean energy production; health care; caregiving for the elderly, children, and disabled; higher education; research and development; and domestic manufacturing of vital goods. America also needs extensive investments in its physical and digital infrastructures, which are necessary for vibrant businesses, trade, and communications. These investments must work to eliminate net carbon emissions by mid-century and should be geared toward those regions of the country that have been chronically underserved—in both urban and rural environments. Finally, the entire U.S. system of education, from pre-K through college must be better aligned with the jobs of the future so that workers at all education levels are properly trained and educated to compete in a global economy.

National economic development must be accompanied by steps to rebuild America's social safety net to make it more comprehensive in terms of the services it provides and more flexible in terms of how it can be accessed and used. American workers will not be able to take advantage of new job possibilities in the emerging economy without first having financial stability through guaranteed basic living standards and protections against hardship. Recent steps to improve the access and affordability of health care should be extended fully to all people, as should affordable housing and educational opportunities designed to bolster the precarious position of low-income workers.

FIGURE 1

## A national blueprint for post-COVID-19 recovery



Protections against unemployment or underemployment should also be reshaped to help families better deal with the sudden loss of income due to crises such as the coronavirus or natural disasters. Proven programs at the state level or in other countries, such as work sharing or wage supports and family allowances, would help those Americans facing acute hardship to better weather these storms. Moreover, as the nation shores up the safety net for workers, policymakers should consider additional measures to help families build wealth and a secure retirement throughout their life cycle.

America's economic position cannot be viewed in isolation from what is happening all across the world. In order to strengthen its people at home, America will need new steps to reconnect the country to the rest of the world in order to protect U.S. interests, while also dealing cooperatively with other nations on problems such as pandemics, climate change, and poverty. America will need to reengage with world health bodies such as the World Health Organization (WHO) and work with other nations to collectively handle the coronavirus response and vaccination efforts. Likewise, America will need to forge closer partnerships with its allies in Europe and Asia to ensure that free enterprise, scientific and technological advancement, and properly regulated economic activities can succeed in the world economy against state-sponsored authoritarian models in places such as China and Russia. To further these ends, a new geopolitical strategy of "strong at home, strong in the world" should augment a national industrial policy that ensures that American businesses and vital economic sectors are nurtured,

that good-paying jobs are created for American workers, and that external markets are open for U.S. goods and services. Finally, America must take a leading role with its allies to firmly address the global threats of climate change and to defend the rules, laws, and standards that underpin democratic societies.

If America begins taking these ambitious yet practical steps for national regeneration today—to rewire the economy, to rebuild the social safety net, and to reconnect the United States with the world—the nation will be on a much firmer ground tomorrow as it seeks to live up to the constitutional promise of a more perfect union for all people.

# Summary of strategic recommendations for the post-pandemic recovery

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## Rewire America's economy

**Goal: Economic growth that is sustainable and equitable with high-wage jobs and skills and education for all people**

There are key sectors where America must invest now to help drive national economic development, create good jobs, and increase its domestic manufacturing base to ensure greater resilience: climate action, the caregiving economy, health care, infrastructure, and education.

- **Build a 100 percent clean energy future aimed at accomplishing global net-zero greenhouse gas emissions by mid-century:** The structural changes required of our energy systems, transportation networks, and land-use patterns must be set in motion now to deliver benefits that people will experience in their own lives and communities. Such an effort should include steps for new job opportunities with strong unions and worker protections, community investments, and reductions in toxic air and water pollution that put climate change at the core of building an economy that works for everyone.
- **Provide affordable child care options that help struggling parents have a stronger attachment to the labor force and strengthen the overall economy:** Increasing funding for child care and providing resources for child care providers is paramount for helping families weather this pandemic and future downturns. Child care providers have always been essential, and their role is especially crucial during the pandemic as they help people stay in the labor market and provide options for essential workers. However, these providers' costs have risen while their revenue has declined, and thus they struggle.

- **Invest in vital jobs in the health care industry:** Over the next 10 years, especially with the median age of Americans expected to increase steadily through 2060, the country will need more than 1 million jobs in home health and personal care aides. Long-term supports and services are going to be needed as the elderly population continues to increase and demand rises in the face of an increasing shortage of direct care workers.
- **Make sustained federal infrastructure investments:** When done right, infrastructure investments produce prosperity for American businesses and workers, facilitating economic mobility and access to educational opportunities and essential services. Potential infrastructure investments include expanding broadband to areas lacking service; repairing and replacing aging highways, public transportation, rail, and water infrastructure; and updating public school buildings. A commitment to sustained research and development funding will also be critical for future economic growth and creativity.
- **Concentrate on human capital needs and lifelong learning:** To rewire the economy, the United States must fully prepare all people, regardless of background, for modern work through high-quality education, career training, and continuous learning opportunities. This will allow America to have the talent necessary to advance the common good at home and around the world.

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## Rebuild America's social safety net

### **Goal: Economic security measures that are comprehensive and flexible to help workers and families weather crises and build wealth**

A strong and stable workforce—well housed, well cared for, well educated, and with good wages—can serve as the backbone of a growing and more productive domestic economy that can better compete with other nations.

- **Ensure basic living standards for all:** The United States spends far too little on the safety net and other social protection programs given its abundant wealth and resources. To truly tackle poverty and strengthen the resilience of individuals and families at the margins, policymakers must increase the generosity of cash transfer and in-kind support programs, including unemployment insurance (UI), Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), housing, and other benefits. Federal lawmakers must also fully extend affordable health insurance to all people through a plan such as CAP's "Medicare Extra for All."

- **Modernize the safety net:** The economic value and multiplier effect of many safety net programs could be increased with greater automation. For example, rather than waiting for a bill to increase UI benefits in times of sharp economic downturns, the UI system could be structured to expand automatically when certain macroeconomic or labor market conditions are met. Public health emergencies, natural disasters, economic downturns, and other shocks to the system could trigger program eligibility expansions or expansions in benefit levels or could provide automatic exceptions to barriers such as work requirements.
- **Center the needs of individuals and families:** Public programs and services for low-income adults largely operate independently from and without consideration of those that assist low-income children. State and local governments should therefore deploy more strategies to better coordinate service delivery to low-income families. In addition, more states should explore ways to address the full range of family needs, such as the alignment of child care subsidies and workforce development policies, to better support working parents and ensure that their children have access to high-quality child care and early education.

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## Reconnect America with the world

**Goal: American leadership that is cooperative and adaptive to ensure the nation's economic strength and that works with other countries on climate, pandemics, and threats to democratic values**

The United States needs to connect its domestic and foreign policies to better serve Americans at home, protect against common threats, and promote its interests and values abroad.

- **Renew international cooperation on public health:** The United States should prioritize working with long-standing allies to share knowledge, make supply chains more resilient, and enhance preparedness for future pandemics. Neither the United States nor its close allies need to be entirely self-sufficient when it comes to supply chains and necessary equipment for the next pandemic, but they should all work together so that they are not dependent on any one source for such equipment—especially when that source is as unreliable and coercive as China.

- **Design a unified approach to domestic and international policymaking that protects America's economy and creates jobs:** There are four main areas that a new model of international political economy should focus on moving forward: 1) rebuilding America's basic infrastructure with an eye toward clean energy transitions and post-COVID-19 recovery; 2) renewing America's leadership in basic scientific research and technological development; 3) sharing the benefits of science and technology more widely by creating geographically dispersed research, development, and manufacturing hubs across the country; and 4) fostering digital innovation and protecting personal privacy by reining in the social and economic power of Big Tech companies, as the European Union and other U.S. allies are pursuing.
- **Change the direction of America's trade and international economic policies:** The United States should pursue new international economic agreements and understandings with American allies in Europe and the Asia-Pacific to coordinate supply chains in critical industries such as zero-emission vehicles, microelectronics, and strategic minerals, as well as to create shared stockpiles of critical medical equipment and establish surge capacity to meet urgent needs, ensuring diversity and resiliency across these linkages. In these new agreements and at the World Trade Organization (WTO), democratic allies should work together to raise standards for workers and the environment and to counter market concentration. In general, international economic negotiations should focus more narrowly on industrial and innovation agreements with coalitions of key economic partners, rather than broad-based deals that cover all issues and include as many international partners as possible. These agreements should encourage trusted foreign private companies to invest in key industries and sectors in the United States and for American investors to do the same in Europe and the Asia-Pacific.
- **Increase cooperation and standards on digital policy:** The United States and leading economies willing and able to work in cooperation with the United States should seek greater alignment when it comes to digital regulation and taxation. Beyond taxation and regulation, the United States should build on its existing relationships to launch a joint research and development initiative on information technology and computer networks. Whatever course the United States takes, collaborative research and development on information technology and computer networks fits in well with the broader goal of fostering an industrial and innovation ecosystem among advanced industrial democracies.

- **Renew global action and diplomacy on climate change:** Renewing international cooperation on climate change starts with reentry into the Paris climate agreement. Another tangible step on the international front would be for the United States to reconvene the Major Economies Forum on Energy and Climate—dormant since 2016—and focus international attention on a select range of high-profile issues such as global electricity decarbonization. Likewise, the United States should reengage in other international forums such as the G-7, the G-20, and the Arctic Council, while ensuring that climate change is a priority for new potential groups such as the proposed D-10. The United States should also work with fellow advanced industrial democracies through the G-7 or the D-10 to establish a common plan of action and present a united front in climate negotiations with China—particularly regarding China’s fossil fuel-heavy projects under the Belt and Road Initiative. Finally, the United States can strengthen global resilience to the risks of climate change while driving climate decarbonization by integrating analysis of these risks into the nation’s financial regulatory and supervisory framework. To start, the Federal Reserve and other U.S. federal financial regulators should join the international Network for Greening the Financial System.

# Rewire America's Economy

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## What type of economy do Americans want?

CAP's vision is to have a dynamic, growing economy that is ready to tackle the challenges that the United States must meet head-on to create a better, more inclusive, and more sustainable future. This means taking on climate change, promoting equity, being more competitive globally, and creating quality jobs that provide a living wage, strong workplace standards, and work-family supports. It also means engaging in transformational investments in America's future, investments that will enhance inclusive economic growth while taking full advantage of a once-in-a-generation opportunity of bargain-basement-level interest rates.

This will require an educational system that allows for transition within and across industries—a system that provides early exposure to high-quality career options, holistic preparation for college and careers in the future workforce and civic life, and, finally, an orientation of school accountability systems around the outcomes of college and career readiness as well as the attainment of good-quality jobs. Importantly, the overall approach to education must not be entirely concentrated on the traditional four-year college degree, while still recognizing that sub-baccalaureate credentials have uneven returns. To that end, there must be assurances that Black and other students of color, as well as those in low-income households, are not disproportionately directed into short-term programs. Putting these elements all together will not only boost the economy but also make it more competitive globally, as other countries have been making the necessary investments for their economies.

A sustainable, globally competitive economy requires that America embrace and lead the transition to 100 percent clean energy, investing in high-quality jobs, cutting air and water pollution in U.S. communities, and stabilizing global temperatures. Emissions-free sources of electricity are available today, as are electric vehicles and appliances, and there must be a commitment to build and deploy them here in the United States. America's communities deserve high-quality transit service and people-centered streets that offer emissions-free mobility and access. In addition, policymakers should support farmers in restoring degraded soil and landowners in



### **Economic growth that is:**

- ✓ sustainable
- ✓ equitable
- ✓ with high-wage jobs
- ✓ skills and education  
for all people

conserving forestland. It is long past time that America address the inequalities that have left communities of color and low-income communities most affected by the cumulative impacts of toxic pollution and most exposed to the heat, storms, wildfire smoke, and droughts of climate change. The United States must invest now to build a 100 percent clean future.

The transition to clean energy is already underway globally, and it is critical to the global competitiveness of American workers and industry that the United States again takes a leading role. New technologies need research and development, industrial investment, secure supply chains, and a competitive workforce. Electric vehicles present one good example.<sup>1</sup> China produced more than half of all electric vehicles in 2018, possesses more than half of global lithium battery cell manufacturing capacity, and controls more than half of the global supply chain of lithium. U.S. production has remained slow in the face of this competition, amounting to less than one-fifth of electric vehicle sales in 2018.<sup>2</sup> Just as China came to dominate the manufacture of solar panel cells after American innovation led the way, the United States risks locking in a dependence on imported vehicles and batteries for decades to come if it does not make the policy commitments and investments necessary to expand domestic electric vehicle and battery manufacturing and deployment.

These policy challenges must be linked: America must use the spending and policy tools of the federal government to invest equitably in people's potential and link them directly to well-paying, good jobs that achieve progressive social aims. Solving climate change will require everyone's participation, and that means providing meaningful opportunities for high-wage employment to people of all walks of life and in their home communities. These crises can only be solved with thoughtful public investment and prioritization, using these areas of focus to create a more equitable and cohesive economy.

Finally, in terms of regional gaps, the recovery from the Great Recession shows how the U.S. labor market is structured to disadvantage nonmetropolitan areas: In fact, this period could not even be called a "recovery" in nonmetro areas.<sup>3</sup> The metrics used to describe the recovery are dominated by metro areas and large cities, but aggregate statistics hide the enormous disparities between demographic groups.

Therefore, any job creation program must be crafted with a consideration of equity; that is, the program must address economic, demographic, geographic, and other forms of inequality. The goal is not just to create jobs but also to create employment opportunities that are equitably distributed, because a more equitable labor market leads to greater economic growth.<sup>4</sup> Education should also be rebuilt around a system of equity, affordability, quality, and accountability to ensure better opportunity and quality of life in a post-pandemic America.<sup>5</sup>

The investments made in a recovery plan should be spent to address the size and scope of the ongoing crises across the country and to direct resources where they are needed most. The objectives of any long-term recovery plan should adhere to the following principles:

- **Investments must be used to create good jobs.** Good jobs can be defined as high-wage, comprehensive benefit, unionized jobs that all people can access regardless of race, ethnicity, gender, disability or sexual orientation. Attention should be paid particularly to those Americans who have been hardest hit by the pandemic—such as Black, Hispanic, and low-income communities more broadly—whose exclusion from good jobs as provided by the private sector often drives inequality and slower overall growth. This specific focus on creating good jobs should also include many areas of the country dependent on the fossil fuel industry.
- **Economic recovery must concentrate on communities that have been harmed by existing and historical structures.** This effort must include geographic or demographic targeting, thoughtful anticipation of how policy implementation must change in different communities, and impact evaluation and disaggregated measurement of outcomes for those communities—not just outputs.
- **Improvements to the labor market overall must be made in terms of wages and protections.** An increase to the minimum wage, the elimination of the subminimum wage, the extension and improvement of unemployment insurance, and paid leave will all be necessary to improve the labor market overall since these policies reduce churn and help families weather downturns. Moreover, these pro-growth policies would boost the amount of money that workers and families can spend and help support the overall economy.
- **Cost should not be a barrier for action.** Many of the investments discussed above only work if attempted at a large scale; for example, high-quality public-sector jobs will only drive quality in the full labor market if there are enough good jobs to spark competition among employers. The United States is confronting a health and economic emergency, and responses over the next several years must take that emergency seriously. These investments today should generate solid returns tomorrow in terms of economic growth, development, and productivity.

During the 2008 financial crisis, the United States responded by spending 2.4 percent of gross domestic product (GDP), and during the COVID-19 crisis, it has spent only 2.3 percent of GDP.<sup>6</sup> In both cases, spending levels were not nearly enough to support a robust or inclusive economy. Spending needs to be much more substantial since there is the fiscal space to make the investments that can rescue the economy and foster a robust recovery.<sup>7</sup> For example, just to address climate action alone, a Senate report calls for ongoing investments of at least 2 percent of GDP.<sup>8</sup>

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## How can the United States build a robust and inclusive economy?

There are some key sectors that require investment now to help drive national economic development: climate action, the caregiving economy, infrastructure, and health care.

### Invest in clean energy

A goal of building a 100 percent clean future aims to accomplish global net-zero greenhouse gas emissions by mid-century, but this effort must begin immediately. The structural changes required of America's energy systems, transportation networks, and land-use patterns must be set in motion now to deliver benefits that people will experience in their own lives and communities. From new job opportunities to community investments to reductions in toxic air and water pollution, the policy changes and investments needed to address climate change are at the core of building an economy that works for everyone.

The power sector is already in transition. States and utilities throughout the country are embracing renewable portfolio and clean electricity standards, and a zero-carbon power grid is within reach over the coming decade and a half. Federal incentives and pollution standards are needed to ensure this transition delivers rapid pollution reductions for all communities. Not only would these actions substantially cut greenhouse gas emissions in the near term, but they would also enable the decarbonization of other sectors that will increasingly switch from fossil fuels to electricity.

Other sectors of energy use in the United States—including transportation, buildings, manufacturing, and agriculture—will take longer to decarbonize due to the time it takes to turn over vehicle fleets and building stock, to develop manufacturing capacity, to build transit and rail infrastructure, and to change land-use patterns. Major federal investments and policy changes are needed immediately to set these transformations in motion. If the economic recovery involves building back

America's industry and infrastructure in ways that lock in further dependence on fossil fuels, the economy will be unprepared for the global changes bound to happen in the years to come. The United States must invest now to build a clean economy that will stand the test of time.

By investing, in an equitable and just way, in the systems, structures, and infrastructure that America needs and by providing meaningful employment opportunities for people in their home communities, the country can drive an economic renewal that works for all people. Across the entire economy—from improving energy systems, transportation networks, and affordable housing to cleaning up legacy pollution and reinvesting in disadvantaged communities to advancing technology development and reforestation—the United States must invest now to build this 100 percent clean future.

### Support caregiving and invest in health care

Providing affordable child care options can help struggling parents have a stronger attachment to the labor force and therefore make for a stronger economy. Increasing funding for child care and offering resources for child care providers is paramount for helping families weather this pandemic and future downturns.<sup>9</sup> Child care providers have always been essential, and their role has been especially crucial during the pandemic as they have helped people stay in the labor market and provided care options for essential workers. However, child care provider costs have risen while their revenue has declined, and they are struggling.

In addition to child care, caring for sick family members is a significant issue, especially during this pandemic. There are also concerns when it comes to caregiving for the elderly and people with disabilities. Long-term supports and services are going to be needed as the elderly population continues to grow and demand rises while, at the same time, there is an increasing shortage of direct care workers. It is estimated that the elderly population may nearly double by 2060, and the number of adults over the age of 85 will increase from 6.5 million to 19 million.<sup>10</sup>

To help with this growing need, investments in health care jobs are going to be vital. The U.S. Bureau of Labor Statistics estimates that more than 1 million jobs in home health and personal care aides alone will be necessary over the next 10 years.<sup>11</sup>

Although the direct care workforce in the United States is large and growing, low wages and poor job quality mean that current shortages will continue to worsen.<sup>12</sup> The lack of an adequate caregiving infrastructure is a serious concern for the elderly,

who face increased rates of institutionalization in nursing homes, many of which have suffered major COVID-19 outbreaks.<sup>13</sup> Home- and community-based services help the elderly and people with disabilities live as independently as possible with help from direct care workers.

Yet direct care workers—who are predominantly women, immigrants, and people of color—are severely undervalued, receive low earnings, and experience difficult work environments and limited career growth.<sup>14</sup> The federal government should invest in robust community-supported long-term supports and services, raise wages, and improve job quality for the growing direct care workforce.

### Create 21st century infrastructure

Robust and sustained federal infrastructure investment would provide long-term economic stimulus. When done right, infrastructure investments produce prosperity for American businesses and workers, facilitating economic mobility and access to educational opportunities and essential services. Specifically, infrastructure investments can expand broadband to areas lacking service and facing high costs; repair and replace aging highways, public transportation, rail, and water infrastructure; and update public school buildings.

Modernize infrastructure to ensure the United States meets its international climate commitments, including net-zero carbon emissions by 2050

Additionally, a well-designed program of federal infrastructure expenditures can help to redress environmental damage and environmental-related racial disparities, including geographic isolation and excess pollution, among other burdens. Infrastructure investments are also a powerful tool to expand access to opportunity, raise wages, and improve job quality for millions of working Americans.

Federal infrastructure spending should be distributed in an equitable manner, making sure that project selection decisions are transparent and reflect community needs and do not serve as a pathway for corporate largesse. Moreover, state and local governments should be held accountable for how they spend federal dollars through a system of performance management. Finally, infrastructure projects must be subject to environmental review and involve strong community engagement in the planning process.

An important aspect of federal infrastructure spending is spending on research and development. Research and development spending is vitally important not only for innovation purposes but also for global competitiveness. U.S. spending on research

and development has led to the creation of many important products and services that people use on a daily basis, such as Google’s search engine, magnetic resource imaging technique, and the Human Genome Project.<sup>15</sup> While the United States needs to spend more on research and development overall, it also needs to do better in targeting funding. The current system of funding research and development cements existing racial disparities in the labor market. It is therefore important to pursue intentional policies that direct funding to Black-led institutions and innovators.

### Promote human capital

Finally, to rewire the U.S. economy, there must be a concentration on human capital needs and lifelong learning to fully prepare all people regardless of their background for modern work. This can be accomplished through high-quality education, career training, and continuous learning opportunities, which will ensure that America has the future talent to advance the common good at home and around the world.

In terms of bettering K-12 education, the goal should be to prepare all students for college and the future workforce. However, most students do not regularly have access to early career preparation programs.<sup>16</sup> International data show that without this exposure, student economic status has a greater impact than grades on what schooling students complete and what career choices they make.<sup>17</sup> Due to chronic underfunding, public K-12 schools have not been equipped to adequately prepare students for higher education. That translates into a persistent high school dropout problem, especially for students who are American Indian or Alaska Native, Pacific Islanders, Hispanic, or Black.<sup>18</sup> About half of students who do receive a high school diploma and enter college wind up in remedial courses where they have to catch up before they can enroll in classes for credit. And half of these students never make it out of these remedial classes.<sup>19</sup> Being unprepared can add on to other factors preventing students from earning a degree or other credentials for high-quality jobs. These other factors include the rise in cost of tuition and the increased student loan debt load.<sup>20</sup>

To address all these problems simultaneously, America needs a federally supported pilot program that allows states to partner with community colleges, school districts, and local employers to create K-12 pathways to postsecondary education. This effort must focus on ensuring that students get a good job with little or no debt after they complete postsecondary or college programs.

CAP’s proposed pilot is made of four parts. First, schools must provide early career preparation programs to expose children and their families to the good jobs of the future. Second, low-quality high school classes and postsecondary certificates should

no longer exist. Third, high school graduation requirements must meet college admissions expectations. And fourth, school districts' career and technical education (CTE) programs must lead to students getting only those postsecondary credentials that lead to good jobs.

On the higher education front, nearly two-thirds of jobs now require some form of postsecondary education, so postsecondary training is critical now more than ever.<sup>21</sup> Yet only 32 percent of Black adults, 25 percent of Hispanic adults, and 49 percent of white adults have an associate degree or higher.<sup>22</sup> Furthermore, higher education is severely underfunded. Before the pandemic hit, states had only recovered about two-thirds of their higher education funding since the Great Recession—and public colleges now face potentially catastrophic cuts due to the economic effects of the pandemic.<sup>23</sup>

An underfunded higher education system has led to rising tuition and has worsened racial and class inequalities.<sup>24</sup> Although they educate about 4 in 10 American college students, community colleges receive \$78 billion less yearly in revenue and state funding than do public four-year institutions, seriously hampering these institutions' ability to train students for the workforce and transfer to a bachelor's degree program—one of the surest pathways to the middle class.<sup>25</sup> One in 5 adults in the U.S. population, ages 25–64, have attended some college but left without a credential.<sup>26</sup> Many of these students have accumulated debt and are less likely than college completers to repay their loans.<sup>27</sup> Specifically, as much as one-third of Black borrowers default on their student loans,<sup>28</sup> with Black noncompleters faring even worse. Even for completers, the \$1.5 trillion federal student loan debt crisis is holding back many people, especially Black borrowers, from economic mobility. Within 12 years of completing a bachelor's degree, more than 20 percent of Black borrowers default on their student loans.<sup>29</sup> To help generate wealth and maximize earnings, the federal government should cancel a portion of student loan debt from both public and private sources and freeze interest.

## What is needed from the public and private sectors to restructure the economy?

The future economy should be founded on three principles to help drive overall economic growth and a strong middle class while increasing equality and opportunity for all people. These principles include collaboration between employers and employees, greater worker power, and a commitment to a more diverse and inclusive workforce. The federal government and private sectors can work together to advance these goals in the following ways:

### Increase collaboration between employers and employees

The policies to promote national economic development require many stakeholders to work together and push for this new vision. Too often, employers and workers are pitted against each other, splitting the pie when they should grow the pie. Take the discussion to raise the minimum wage, for example. Conventional wisdom from early economic literature argued that raising the minimum wage harms small businesses and curbs economic growth by keeping companies from expanding their business. However, recent analysis from the Congressional Budget Office and others shows little evidence of minimum wage increases resulting in businesses letting their workers go; rather, they lead to lower poverty rates, higher earnings, and the potential for decreases in racial income gaps. The problem is rooted in keeping wages low, rather than raising them; low wages lead to higher job turnover, which means higher costs for businesses because they pay more to continuously hire new workers and train them.

### Allow greater worker power

All job sectors must give their workers a greater say in their jobs. Research shows that when employees have a say over the hours they work, their work schedule, and their job location, they are more pro-

ductive; they also stay in their jobs longer, reducing costs to replace them. These changes are especially needed in climate-related jobs—jobs in which the public is willing to invest tax dollars to create more of going forward.

### Commit to a more diverse and inclusive workforce

Chambers of commerce and companies of every size must do more than simply say that they value diversity and inclusion. They must take steps to hire more Black, Hispanic, Indigenous, and other people of color to leadership roles and give them a say in how companies operate. In addition, they must ensure that all workers of color are satisfied with their jobs and the environments that companies provide. Chambers of commerce and companies must also support labor market policies that strengthen worker power.

The federal government has several tools at its disposal to support this vision. First, it must use its ability to design grant programs that encourage more employer-employee partnerships. In this, it can design regulations for formula and competitive grants to favor these types of partnerships. Second, the federal government can convene workers and businesses to discuss what good partnerships look like. Third, it can model the type of collaboration it wants from states, employers, and employees by engaging in federal cross-agency working groups to identify how their programs and policies can improve worker outcomes. And fourth, the federal government can ensure that these new economic efforts, both private and public, are focused on the geographic locations most in need of new resources and investments. For example, Rep. James Clyburn's (D-SC) "10-20-30 formula," which is focused on channeling resources to those urban and rural counties with chronic high-levels of poverty.<sup>30</sup>

# Rebuild America's social safety net

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What do America's workers and families need to build wealth and be more economically secure?

The coronavirus pandemic has revealed several deficiencies in America's overall economy and its network of federal and state social protections. These deficiencies not only set back American families, but they also put the overall American economy at a disadvantage against other nations that provide more comprehensive social protections for citizens, help workers through hard times, and offer stable and productive employment opportunities.

Even in better economic times, many Americans struggled to pay for food, housing, health care, and other basic necessities. Prior to the pandemic, 38 million Americans were living below the federal poverty line.<sup>31</sup> America's network of federal and state social protections for low-income people, known as the social safety net, is a critical tool to help people weather financial crises and reduce material hardship. In fact, a significant investment in the safety net during the coronavirus pandemic kept more than 18 million people out of poverty.<sup>32</sup> The Coronavirus Aid, Relief, and Economic Security (CARES) Act included one-time payments for most households and a significant expansion in unemployment insurance that nearly tripled the previous average benefit for jobless workers. As of late fall 2020, that aid was largely exhausted, and research finds that the number of poor Americans has grown by nearly 8 million.<sup>33</sup>

The pandemic has laid bare the tenuous grasp that many workers and families had on financial stability. When they lost hours or work and when school or caregiving options were closed, even families with full-time workers suddenly needed to make use of the social safety net.

Crucially, the safety net is intended to catch individuals and families and provide a cushion when they face a challenge. But work should be stable, high quality, and sufficiently high paying in order to ensure that millions of Americans are not consigned to navigating the whims of the social safety net while they work.



- Economic security measures that:**
- ✓ are comprehensive
  - ✓ are flexible
  - ✓ help workers and families weather crises
  - ✓ build wealth

The federal minimum wage was last increased in 2009; in the 11 years since, it has lost nearly 20 percent of its purchasing power.<sup>34</sup> Workers earning less than \$15 per hour—an annual salary of about \$31,000—do many of the most necessary functions of our economy. In 2018, for example, more than 13 million workers earned less than \$15 per hour while working essential jobs; nearly 6 million of those essential workers earned so little that they participated in the Supplemental Nutrition Assistance Program. And the “federal minimum wage” is not even a true minimum: People who work for tips, people with disabilities, and people who are incarcerated all work for far less.

Meanwhile, because jobs lack benefits such as paid sick leave, paid parental leave, and adequate health care coverage, normal life events can cause financial crises, time out of the labor market, and debt. Nearly all Americans will need to provide care for a family member at some point, and many must do so cyclically, providing care for young children and older family members or taking time off for their own health. Without benefits and formal leave—or if care options are so expensive that a worker’s salary cannot pay for it—these workers fully detach from the labor market, which research has shown makes it much less likely that they will return. Labor market churn, which is especially typical because of the poor quality and pay of jobs at the low end of the wage spectrum, is bad for employers as well because they must constantly hire and train new workers. Jobs must be made better, or benefits must be fully decoupled from employment. They could become public programs to which everyone has access regardless of employment, they could become “portable” from job to job, or the federal government could mandate their universal adoption by employers.

Abysmally low wages and lack of benefits reinforce other symptoms of an unhealthy labor market: violations of occupational safety and worker voice, wage theft, and violations of worker protections. Knowing that their wages will stay low, workers lose bargaining power in the market and can be more easily exploited by their employers. Meanwhile, large companies gain market power, small businesses close, and large companies are not pressured to improve working conditions or raise wages; they no longer need to compete for labor because they are the only employer in town.<sup>35</sup>

America’s incomplete social protection system puts U.S. workers at a disadvantage globally and holds back potential economic growth and productivity domestically. Shamefully, for the richest nation in the world, America has one of the worst poverty rates of any advanced nation, severely compounded by the pandemic. Likewise, support networks for unemployed Americans and those with low-wage jobs are inadequate during times of crisis. For example, universal benefits for health care and child care are missing, along with other types of wage and family supports. The net result of this patchwork of insufficient programs is that America has too many people out of work or not participating fully in economy.

Existing federal and state anti-poverty policies are not robust enough in terms of income and benefits support. Paradoxically, these policies often put low-income working people in a bind: Many get punished for working by making just enough to reach benefit cliffs and asset limits, but they do not receive sufficient support to make up for low wages, nor can they save their money without losing program access.

At the same time, many programs are too hard to use and are not connected to modern workforce needs. The U.S. social welfare system is notoriously complex and excessively decentralized, with application processes, eligibility thresholds, and benefit amounts varying state-to-state. In addition, programs with similar eligibility criteria are administered separately. And benefits such as health care are tied to employment, which leaves many people without coverage. Moreover, attacks on the safety net over the years have put in place overly restrictive work requirements that deny people access to program participation, despite scant evidence that work requirements make any meaningful difference in financial stability.

Finally, overall policy structures are ineffective at closing key income and wealth gaps in society and are insufficient in helping people build assets. There is a lack of dedicated resources to the hardest-hit and most chronically depressed areas, and there is a lack of wealth-building policies on housing or equities to complement safety net programs.

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## What needs to be done to create a stronger and more flexible safety net?

A rebuilt safety net is not only essential for American workers and families, but it is also a core part of national economic development overall. A strong and stable workforce—well housed, well cared for, well educated, and with good wages—can serve as the backbone of a growing and more productive domestic economy that can better compete with other nations.

### Ensure basic living standards for all

The United States spends far too little on the safety net and other social protection programs given its abundant wealth and resources. To truly tackle poverty and strengthen the resilience of individuals and families at the margins, policymakers must increase the generosity of cash transfer and in-kind support programs, including unemployment insurance, TANF, SNAP, housing, and other benefits.

A framework for ensuring basic living standards must also consider the role of prevention. The American approach to preventive services for individuals facing the threat of homelessness, for example, is to provide a short-term, nonrecurrent benefit that allows eligible individuals to pay the rent or find an alternative living arrangement before homelessness occurs. This system of stop-gap measures does not exist in parts of Western Europe, where there are social protection systems in place to help anyone who needs assistance with housing costs or other basic needs when unemployed or underemployed.

The coronavirus pandemic has created an inflection point in the future of America's social protection system. It has shown how quickly we can adapt and pursue policy options once considered out of the mainstream. For example, there is growing interest among policymakers in guaranteed basic income, with emerging evidence from international experiments showing positive impacts on health and social outcomes. The gaping holes in America's social safety net laid bare by the pandemic are sparking interest in universal programs, including comprehensive health care coverage, that could raise the floor for all.

Any response to the COVID-19 pandemic that does not ensure access to comprehensive, affordable health care coverage is incomplete. One such plan put forth by CAP in recent years is Medicare Extra for All—a health care plan that, if enacted, would guarantee that all Americans can enroll in the same high-quality plan, ensuring that everyone could be tested and treated for COVID-19 and future pandemics without financial risk.<sup>36</sup>

### Modernize the safety net

The state and local agencies that administer health and human services and a range of safety net programs are facing increased pressure to improve the efficiency and delivery of services. At the beginning of the pandemic, states struggled to manage the influx of applications for unemployment insurance and other benefit programs spurred by the coronavirus. The fractured nature of a state-by-state system for key programs such as UI, TANF, and Medicaid expansions means that inefficiency and inequality are nearly unavoidable. For example, 51 jurisdictions currently must procure contracts for their separate UI websites, translate their outreach material into other languages, and set up separate work-sharing systems. Stricter federal standards and greater coordination and technical assistance on the part of federal agencies could improve state systems, but many aspects of modernization will require significant dedicated federal investment.

Moreover, it is extremely difficult for individuals and families to obtain and keep program benefits. Many low-income people are unaware of the full range of programs for which they are eligible. When they are aware, the application process is often onerous,

time-consuming, and invasive. State and local agencies have been forced to reconsider their policies and procedures in order to adhere to social distancing guidelines. Some states have proactively cut the red tape that has long prevented eligible people from accessing benefits. They have simplified applications, eliminated requirements for in-person interviews, suspended reporting requirements, and launched online application systems. As the country recovers and moves out of the pandemic, it is important that state and local governments work with federal agencies to assess the changes that have been most beneficial and that will allow programs such as SNAP, Medicaid, and others to more quickly respond to rising need.

Policymakers must plan for future economic downturns and take into consideration how social safety net programs can buffer the effects of a crisis. A key aspect of program design that can provide more immediate economic relief to the individuals and families most in need is employing automatic stabilizers that boost cash and in-kind benefits without legislative action or changes to the tax code. In the current system, most changes to program design, eligibility, or benefits require action by state agencies, state lawmakers, or federal lawmakers. The economic value and multiplier effect of many safety net programs could be increased with greater automation. For example, rather than waiting for passage of a bill to increase UI benefits in times of sharp economic downturns, the UI system would be structured to expand automatically when certain macroeconomic or labor market conditions are met. Public health emergencies, natural disasters, economic downturns, and other shocks to the system could trigger program eligibility expansions or expansions in benefit levels, as well as provide automatic exceptions to barriers such as work requirements.

### Center the needs of individuals and families

America's fragmented system of health and human services programs often places the burden of coordination on individuals and families. Unlike other nations with comprehensive social protections, America unduly holds people back from full participation in work and civic life with a patchwork of programs that are hard to access and use. Public programs and services for low-income adults largely operate independently from and without consideration of those that assist low-income children. State and local governments are increasingly deploying strategies to improve coordinated service delivery to low-income families. They are aligning and linking systems, including administrative structures and eligibility standards, at the local level. State and local governments are also assessing policy opportunities to intentionally focus on and improve outcomes for whole families. For example, some state leaders are exploring the alignment of child care subsidy and workforce development policies to better support working parents and ensure that their children have access to high-quality child care and early education.

Many U.S. funding streams, policies, and programs do not reflect the current demographic realities of American families and, in some cases, drive systemic inequities. This is especially prevalent in the TANF program. Twelve states have “family cap” laws that deny more cash assistance to families who have another child while enrolled in the TANF program.<sup>37</sup> Upon examination of these policies, some states found that they were more likely to affect families of color. Furthermore, marriage-related restrictions exist in the social security system. Under the current law, if two individuals receiving Supplemental Security Income get married, they receive 25 percent less in benefits than they did as single individuals. This rule effectively penalizes people with disabilities when they marry. State and federal leaders must work together to eliminate rules that police low-income families’ decisions related to childbearing and marriage.

## How are economic growth and economic security linked?

The earlier section on rewiring the economy describes a range of investments in social goals that would require a large number of workers, and these jobs should drive a labor market-wide improvement in job quality. The quality of jobs and the strain placed on the social safety net are inextricably linked: If jobs are well compensated and safe and provide the benefits and paid leave necessary to navigate a range of typical life events, it is less likely that a seemingly minor challenge such as a car breaking down will cause a downward cycle for a family’s stability. A focus on jobs should therefore include equity in access to good jobs to ensure that all people can fully participate in economic life; moreover, it should include policies designed to eliminate employer discrimination in hiring and wages. Strong worker protections and a healthy, nonexploitative relationship between employers and workers help protect workers’ health and safety. These job standards and higher wages will help workers, but families are also

comprised of people who do not work—often children, but also older adults, people with disabilities, and adult students—who deserve to have their basic needs met outside of the labor market.

Without a strong safety net outside of the labor market, workers will limit their risk-taking and innovation. Fear over losing benefits—health insurance in particular—keeps many people from starting their own businesses or furthering their education. Meanwhile, a child’s likelihood of becoming an inventor or an entrepreneur is almost entirely determined by where they grow up. And that means there are likely many innovators in depressed regions around the country who are not getting the chance to live up to their full potential—for the benefit of both themselves and the economy. National economic growth is constrained by both individual financial precarity and community-level stratification.

# Reconnect America with the world

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What is needed to ensure strength at home and in the world?

The strains inside American society have been worsening for decades—a frayed social safety net, a growing gap between rich and poor, declining trust in institutions, and toxic politics. “America First” notions tapped into a deepening sense on the right and left that globalization failed to deliver its promised benefits and imposed high costs on millions of Americans and their communities. But this inward- and backward-looking approach collapsed under the weight of multiple moral, economic, foreign policy, and public health crises.

Moving forward, America should rediscover the crucial connection between domestic and foreign policy that has been lost since the end of the Cold War. America cannot hide behind walls or shirk the responsibilities that come with its international position. To support a national renewal at home, it must build a new political and policy framework for international cooperation to successfully meet five central challenges:

**1. A global democratic recession and rising illiberalism driven by Russia and China:**

Illiberal domestic political movements—particularly in Europe and the United States but also in South American and Asia—have tapped into discontent with the status quo, while corruption across borders has made good domestic governance more difficult.

**2. Stagnant domestic economies and diminishing returns from globalization:** Rising economic inequality and a dearth of high-quality jobs in vital sectors such as manufacturing have compounded the skewed distribution of aggregate gains from globalization.

**3. Failure to adequately address climate change:** Already, the lack of sufficient response to this crisis is serving as a force multiplier in exacerbating economic, security, public health, and social challenges at home and abroad, making it more expensive and difficult to address moving forward.



**American leadership that:**

- ✓ is cooperative
- ✓ is adaptive
- ✓ ensures the country's economic strength
- ✓ works with other nations on climate, pandemics, and threats to democratic values

4. **Record levels of forced migration:** Another ever-growing and increasingly worrisome challenge pertains to the mass movements of people resulting from widespread human rights violations, criminal violence, climate change, and persistent armed conflict.
5. **The ongoing impact of COVID-19 and pandemic diseases:** The coronavirus has left more than a million people dead and economies devastated the world over.

America's revival will depend on diverse coalitions weaving together a shared narrative to give meaning to the long lists of policy proposals that often suffer under the weight of their own details rather than inspire societal action. The United States should seek to turn challenges such as pandemics, climate change, and cyber insecurity into opportunities to create progress for inclusive security and shared prosperity. To do that, political leaders will need to build wide and deep coalitions that cross partisan, economic, and ideological boundaries.

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## What needs to be done to fuse domestic and foreign policy?

The most immediate challenge confronting the United States—the COVID-19 pandemic—will not fade as quickly as people hope. A new vision of American renewal must account for the grim reality that recovery from the pandemic will take years.

### Renewed international cooperation on public health

By mid-November 2020, nearly 53 million people worldwide and more than 10.5 million Americans had fallen victim to the COVID-19 pandemic, leaving some 1.2 million people globally and more than 300,000 Americans dead.<sup>38</sup> Around the world, economies have contracted at rates unseen in decades, while millions of people have lost their livelihoods.<sup>39</sup> New waves of COVID-19 infection are expected to hit the United States and Europe throughout the winter of 2020, which will likely exacerbate these negative trends and dynamics. With China's economy recovering<sup>40</sup>—albeit weakly—and the United States and its European allies set to face perhaps their most difficult period of the pandemic, Beijing will have economic and diplomatic advantages over the United States in the short term.

Even with the rapid development and deployment of safe and effective vaccines, the United States and the world as a whole are expected to still be coping with and recovering from the COVID-19 pandemic until 2024.<sup>41</sup> According to American and European economists and policymakers, neither the U.S. economy nor the eurozone look likely to fully recover from the COVID-19 recession until 2022.<sup>42</sup> However, it also appears that

the United States and its allies in Europe and East Asia will be the first to benefit from the development and distribution of a safe and effective vaccine. Over at least the next two years, the United States, its allies, and much of the rest of the world will devote enormous time, attention, and resources toward recovery from the COVID-19 pandemic.

For the United States, recovery from COVID-19 begins at home. Above all, a more unified federal response to the pandemic will be required to rapidly deploy vaccines across the country. Beyond short-term measures necessary to control the pandemic's winter surge, the United States should invest heavily at home in the development, manufacture, and distribution of COVID-19 vaccines. That entails a nearly \$32 billion investment in vaccine manufacturing, procurement, and distribution.

When it comes to international recovery efforts, the United States should prioritize working with long-standing allies to share knowledge, make supply chains more resilient, and enhance preparedness for future pandemics. Neither the United States nor its close allies need to be entirely self-sufficient when it comes to supply chains and necessary equipment for the next pandemic, but they should work together so that they and the rest of the world are not dependent on any one source for such equipment—especially when that source is as unreliable and coercive as China. Moreover, the United States should use either existing groups such as the G-7 or proposed gatherings of leading democracies such as the D-10<sup>43</sup>—Australia, Canada, France, Germany, Italy, Japan, South Korea, the United Kingdom, and the United States, plus the European Union—to bring together like-minded nations to better coordinate their responses to future pandemics.

One area for potential cooperation involves the distribution of vaccines beyond the borders of advanced industrial democracies. That could include a commitment from the United States to fund some 40 percent of the international COVID-19 vaccine delivery program, known as the Access to COVID-19 Tools (ACT) Accelerator.<sup>44</sup> Doing so would allow the United States to encourage its allies in Europe and the Asia-Pacific to contribute more as well. Moreover, beating COVID-19 in the three main engines of the global economy—the United States, Europe, and East Asia—would help America's domestic economy recover more quickly from the pandemic than it would otherwise.

To best push back against vaccine nationalism, the United States should rescind plans to withdraw from the World Health Organization and sign up to COVAX, the COVID-19 vaccine global access facility.<sup>45</sup> International organizations such as WHO may be flawed—sometimes quite so—but it still remains in the United States' best interests to work within these institutions and participate in, if not lead, international efforts

to solve common problems like pandemics. The United States should leave vaccine nationalism to the likes of Russia and China, choosing instead to make safe and effective COVID-19 vaccines as widely available as possible.

### Geopolitical strategy for reglobalization that protects America's economy and creates jobs

All three main engines of the global economy faltered in the face of the pandemic. While the Organization for Economic Cooperation and Development (OECD) projects the U.S. economy will contract 3.8 percent in 2020, it also projects the eurozone's economy will shrink by 7.9 percent.<sup>46</sup> Thanks to different labor policy choices,<sup>47</sup> Europe has not suffered the same level of unemployment as the United States: Unemployment in the eurozone rose from 6.6 percent in September 2019 to 8.3 percent a year later—still well below post-2008 highs—while in the United States, unemployment spiked at a post-World War II high of 14.7 percent in April 2020.<sup>48</sup> Unlike the United States, Europe, and other major East Asian economies such as Japan and South Korea, China's economy will grow in 2020—though only at a relatively anemic 1.8 percent.<sup>49</sup> Due to the coronavirus-induced recession, the global economy as a whole will contract by 4.5 percent in 2020. Meanwhile, the slowdown of international trade has affected the exports of many countries, leaving many without hard currency to service their debts.

Debt levels are very high for many countries. This includes sovereign debt but also corporate and consumer debt. High levels of indebtedness, coupled with slow levels of economic activity, are driving many countries to request financial assistance from international financial institutions (IFIs). For low-income countries (LICs), debt was at a record high before the COVID-19 crisis and has increased ever since. More than 50 percent of low-income countries are deemed to be in debt or at high risk of debt distress according to the joint International Monetary Fund (IMF)-World Bank Debt Sustainability Framework.<sup>50</sup> Advanced economies should consider facilitating financial flows through IFIs to assist emerging economies in the current juncture. Financial assistance, coupled with debt restructurings when necessary and appropriate, would minimize human suffering and economic scarring while positioning economies on a faster growth trajectory. Initiatives such as the G-20's Debt Service Suspension Initiative can be useful in addressing country-specific debt problems. G-20 government creditors have decided to extend initial debt service suspension through mid-2021. Additional extensions should be considered. This issue, among others, will be discussed during the IMF-World Bank Spring Meetings in April 2021. But it is also important to recognize that other countries beyond LICs are at significant risk of debt distress, so continued attention to this issue is paramount.

To recover from the combined public health and economic crisis it now faces, the United States needs a new model, one that reconnects domestic and foreign policy in a way that produces greater and more tangible benefits for average Americans. Decades of deregulation, hyperglobalization, and public underinvestment in infrastructure and basic scientific research and development<sup>51</sup> reshaped the American economy in ways that privileged the wealthy, fueled economic inequality, and left millions of Americans behind.<sup>52</sup> Building a new model will require large public investments at home to help America maintain its standing in the world and compete effectively in the global economy. To be successful, these national renewal efforts must be sustained by broader and deeper political support from the American public in the form of wide coalitions of Americans from every walk of life.

Absent different policies, technology will accelerate and deepen existing inequalities between large urban centers, midsize cities, smaller towns, and rural areas. Workers with just a high school education will be four times as likely to be displaced by automation and other forms of new technology, and nearly 40 percent of all Americans currently work in occupations that will shrink in size by 2030.<sup>53</sup>

These trends are not set in stone, but along with the effects of COVID-19, they constitute powerful headwinds with which any new model of political economy must contend. It remains up to public policy to shape and push America's economy in new directions that will maintain America's standing in a rapidly evolving world and allow all Americans to enjoy a wider and constantly rising standard of living. Building this new model will require significant economic, tax, and regulatory changes at home—as well as a new approach to the world. In other words, the foundations of American power and prosperity must now be repaired and rebuilt if America hopes to create good jobs at home and restore its standing in the world.

There are four main areas that a new model of political economy should focus on moving forward:

1. Rebuilding America's basic infrastructure with an eye toward clean energy transitions and the post-COVID-19 recovery
2. Renewing America's leadership in basic scientific research and technological development
3. Sharing the benefits of science and technology more widely by creating geographically dispersed research, development, and manufacturing hubs across the country
4. Fostering digital innovation and protecting personal privacy by reining in the social and economic power of Big Tech companies, as the European Union and other U.S. allies are pursuing

Start with infrastructure: In 2017, the American Society of Civil Engineers gave the nation's infrastructure a D+ grade, and events since—including the COVID-19 pandemic—have not improved matters.<sup>54</sup> In 2018, the Center for American Progress proposed an infrastructure investment program of \$42 billion a year over the next decade as a down payment against the nation's infrastructure backlog.<sup>55</sup> Much of this investment would go to transportation infrastructure, such as roads, railways, and bridges, as well as access to clean water. In addition, CAP proposed a 10-year \$46 billion-a-year program to “repair, modernize, and expand” school facilities; this program should be accelerated to help schools safely reopen in the wake of the COVID-19 pandemic.

Moreover, the investment should include nontraditional forms of infrastructure. According to a 2017 Federal Communications Commission analysis, it would take just \$80 billion to provide universal broadband internet access to all Americans.<sup>56</sup> With the COVID-19 pandemic dramatically demonstrating the nation's dependence on high-speed internet service, this digital infrastructure campaign could prove the 21st century's equivalent of the Rural Electrification Administration of the 1930s—especially if it incorporates 5G technology.<sup>57</sup>

Likewise, the transition to clean energy sources such as solar, wind, and advanced nuclear power will require significant public infrastructure investment.<sup>58</sup> In addition, the United States needs to build the necessary infrastructure to charge the millions of new electric vehicles estimated to be on the road by 2030.<sup>59</sup> That includes hundreds of thousands of fast-charging stations across the country, requiring billions of dollars in public and private investment at both the federal and state level.<sup>60</sup>

Basic scientific research and technological development remain the bedrock of national prosperity and power. But public support for research and development has declined from about 2 percent of GDP in the mid-1960s to about 0.7 percent in the mid-to-late 2010s.<sup>61</sup> And the United States should not only invest more in research and development, it should also find new ways to translate increased research into new jobs, products, and industries. As Massachusetts Institute of Technology economists Jonathan Gruber and Simon Johnson put it: “Public funding of research and development leads to more innovation, faster growth, and more jobs.”<sup>62</sup> With more resources dedicated to scientific research and technological development, the United States can reclaim its position on the cutting edge of human discovery and reap the resulting global prestige.

That starts with expanding the ambitions of existing agencies involved in research and development. NASA, the National Oceanic and Atmospheric Administration, the National Science Foundation, and the U.S. Department of Energy, among other government agencies involved in research and development, should see their funding and ambitions increased. CAP has recommended, for instance, that NASA's budget increase to \$28 billion a year for the next 10 years<sup>63</sup> and that the budgets for clean energy technology research and development and climate science triple over the next five years. Other areas for increased public research and development investment include synthetic biology and deep-sea exploration.<sup>64</sup>

In addition, the United States should more robustly back manufacturing research and development, particularly in critical industries such as microelectronics, machine tools, and additive manufacturing. For example, a study commissioned by the semiconductor industry estimates that \$50 billion in public incentives could increase American semiconductor manufacturing capacity by 57 percent and create close to 70,000 jobs.<sup>65</sup> Equally important, the nation must rebuild the industrial commons and communities of engineering practice that make it possible to translate technological innovation into commercial products. Absent sufficient manufacturing capacity in the United States, the country will not benefit as much from its research and development investments as it could—and private research and development efforts will follow manufacturing overseas.<sup>66</sup>

Big Tech companies exercise enormous power and influence over national life, profiting immensely off the exchange of personal data for supposedly free social media and digital services such as email and cloud storage. Like the railroad and oil industries a century ago, they should be tamed by an assertive federal government acting on behalf of the common good. To start, Congress should demand a comprehensive audit of systemically important Big Tech companies to ascertain the true economic value of the personal data they collect in exchange for supposedly free services, providing clearer insight into the markets they control with little transparency. Understanding these markets is critical to the future of accountability and regulation; moreover, putting a dollar sign on these data would enable Congress to levy a digital data tax on these firms, with revenues dedicated to providing Americans a digital dividend for their contributions to Big Tech's continued economic success.

Big Tech companies also require stronger federal regulation to both protect personal privacy and curb business practices that stifle innovation. At the same time, a reinvigorated antitrust policy should focus on curbing business practices that Big Tech companies have used to stifle innovation and hinder entrepreneurship through the creation of so-called kill zones that deter investment in startups. In part, these practices can be curbed by forcing certain firms to focus on their core responsibilities as public utilities.

But the overall goal of antitrust policy should be to create a business environment that fosters innovation, encourages risk-taking, and facilitates startup formation. Finally, while privacy regulation and reinvigorated antitrust policy are critical, there will also be a need to develop regulatory models around all online services, following the path set by the European Union's Digital Services Act and Digital Markets Act. This new regulatory regime may require expanding an existing agency or creating a new agency to handle this new online services expertise and regulation, much the same way that the Consumer Financial Protection Bureau protects individuals against financial institutions that seek to exploit them.

This ambitious plan of action will undoubtedly prove expensive, on the order of at least hundreds of billions of dollars of additional public spending. However, a number of economic experts, including former Clinton administration Treasury Secretary Larry Summers<sup>67</sup> and former Obama administration Council of Economic Advisers Chair Jason Furman,<sup>68</sup> agree that historically low interest rates can provide a strong rationale for aggressive public investment. What is more, historical experience from previous pandemics suggests that interest rates will remain low for decades to come.<sup>69</sup> In other words, now is the time for substantial public investment in the America's future.

The effort to rebuild America's economic model at home must be linked to a new model of U.S. economic statecraft in the world that puts a stronger focus on supporting a new, inclusive economy that addresses growing inequalities at home. This will entail a shift in focus away from the pursuit of free trade agreements and toward a model that fosters innovation and employment at home and among America's core allies in Europe and Asia.

Moving forward, the United States needs to redefine economic statecraft in ways that facilitate national development at home and strengthen ties with fellow liberal democratic allies abroad. The core goal of U.S. economic statecraft should be to build a shared industrial and innovation ecosystem that spans both the Atlantic and Pacific oceans, incorporating America's most important allies in Europe and the Asia-Pacific. This economic concert of power would bind America and its closest partners together in a shared project to compete effectively with China, promote the collective prosperity of its member nations, and show that democracy can deliver on its economic promises. While building and strengthening this group, the United States should seek to expand its economic engagement in India, Africa, and Latin America—regions of the world that are positioned to see economic growth and are also arenas of economic competition with China.<sup>70</sup>

In part, this ecosystem can be built through even closer cooperation on basic research and development and industrial policies—most notably, joint “big science” projects such as the Large Hadron Collider and the International Space Station. Future projects should facilitate the creation of new research, development, and manufacturing hubs in not only the United States but also Europe and the Asia-Pacific. Beyond space exploration and particle colliders, the United States and its allies should collaborate on a joint ocean mapping project and clean energy technology research, development, and deployment, including solar energy, advanced batteries, hydrogen fuel cells, and the like.

These projects would not only create good jobs in a wide variety of sectors in the near future, but they could also foster new forms of innovation that would underwrite American power, prosperity, and prestige for decades to come. Scientific, engineering, and industrial cooperation can create new communities of practice that foster innovation and propel industry in new, unexpected directions. Working together with other democracies to achieve ambitious objectives and push the frontiers of human knowledge forward would give the world compelling evidence that democracy can still deliver on its promises.

#### Trade and international economic policy

The era of trade agreements disconnected from broader discussions about America’s economic model and the problems of inequality is over. Trade pacts on their own are unlikely to garner the necessary political support in America to be seen as the right vehicle for advancing America’s economic interests while also looking for mutual benefit in the international economic system.

Instead of trade agreements, the United States should pursue new international economic agreements and understandings with American allies in Europe and the Asia-Pacific to coordinate supply chains in critical industries such as zero-emission vehicles, microelectronics, and strategic minerals, as well as to create shared stockpiles of critical medical equipment and establish surge capacity to meet urgent needs, ensuring diversity and resiliency across these linkages.<sup>71</sup> When it comes to close democratic partners and allies, the United States should refrain from pursuing destructive trade disputes in the WTO, aiming instead to resolve them between themselves and maintain political amity. In these new agreements and at the WTO, democratic allies should work together to raise standards for workers and the environment and to counter market concentration.<sup>72</sup>

In general, international economic negotiations should focus more narrowly on industrial and innovation agreements with coalitions of key economic partners, not broad-based deals that cover all issues and include as many international partners as possible.

These agreements should encourage trusted foreign private companies to invest in key industries and sectors in the United States and for American investors to do the same in Europe and the Asia-Pacific. These deals should also dwell less on reducing so-called nontariff barriers to trade—a central goal of post-Cold War trade agreements<sup>73</sup>—and instead aim to foster the creation of a shared and resilient industrial and innovation ecosystem that spans the world’s two major oceans and that raises standards to create good middle-class jobs for all.<sup>74</sup>

Two areas could provide solid bases for cooperation: semiconductor manufacturing and 5G telecommunications infrastructure. On the former issue, the United States could work closely with Japan and the Netherlands—both major semiconductor manufacturers and traditional U.S. allies—to prevent China from cornering the semiconductor market.<sup>75</sup> Similar coalitions could be formed to cover other industries, creating an economic concert of power among advanced industrial democracies to counter China and other potential industrial predator states. Furthermore, in the absence of an American 5G equipment vendor, the U.S. government could work to forge partnerships between American companies and telecommunications companies in South Korea and Scandinavia that manufacture 5G equipment as it moves forward its capacity to handle a range of 5G infrastructure domestically.<sup>76</sup>

### International digital policy

The United States and its allies in Europe and the Asia-Pacific should achieve greater alignment when it comes to digital regulation and taxation. France, Italy, and the United Kingdom have all threatened to impose taxes against Big Tech companies in the absence of an agreed OECD approach to digital taxation and regulation.<sup>77</sup> The United States should resolve this outstanding dispute by coming to either a wider agreement with other nations on a common digital tax or a narrow one that allows individual countries to impose their own digital taxes. Former Treasury Secretary Summers, for one, has argued that such issues are more important than trade deals and advises that they “should be lifted to the highest political level.”<sup>78</sup>

Beyond taxation and regulation, the United States should build on its existing relationships to launch a joint research and development initiative on information technology and computer networks. Likewise, the United States could work with and build on existing initiatives already in place among long-time allies, such as French President Emmanuel Macron’s drive to make his nation a leader in artificial intelligence research and development.<sup>79</sup> Whatever course the United States takes, collaborative research and development on information technology and computer networks fits in well with the broader goal of fostering an industrial and innovation ecosystem among advanced industrial democracies.

## Renewed global initiative and diplomacy on climate change

Though climate change presents a clear danger to the United States and humanity as a whole, it remains a problem that can at least be mitigated—if not solved outright—by public policy, private initiative, and international cooperation. Indeed, the clean energy transition that climate change requires should be seen as a major opportunity to rebuild America’s infrastructure and make it more resilient in the face of natural disasters. This transition will create jobs in some industries while eliminating them in others, and it is up to public policy to ensure that the transition benefits average Americans, including those who work in sectors that will decline as it moves forward.<sup>80</sup>

Executed properly, the national transition to clean energy—carbon-free power for electricity generation and zero-emission vehicles for transportation—can create jobs as the United States does its part to combat climate change. In 2019, renewable energy and nuclear power employed more than 500,000 Americans; the manufacture of hybrid and electric vehicles generated an additional 242,700 jobs.<sup>81</sup> This transition is already well underway, with comparatively clean natural gas displacing coal as the nation’s primary source of electricity, and wind has become a primary source in Great Plains states such as Iowa and Kansas.<sup>82</sup>

Although America has an important part to play in the fight against climate change, it cannot solve this truly global problem on its own. Renewing international cooperation on climate change starts with reentry into the Paris climate agreement, from which President Donald Trump withdrew the United States in November 2020. But a return to Paris only sets the stage for a necessarily more ambitious and expansive climate action agenda both at home and abroad.<sup>83</sup> One tangible step on the international front would be for the United States to reconvene the Major Economies Forum on Energy and Climate—dormant since 2016—and focus international attention on a select range of high-profile issues such as global electricity decarbonization.<sup>84</sup> Likewise, the United States should reengage in other international forums such as the G-7, the G-20, and the Arctic Council,<sup>85</sup> while ensuring that climate change is a priority for new potential groups such as the proposed D-10.

In addition, the United States should work with fellow advanced industrial democracies through the G-7 or the D-10 to establish a common plan of action and present a united front in climate negotiations with China—particularly regarding China’s fossil fuel-heavy projects under the Belt and Road Initiative. Moreover, joint clean energy and climate mitigation projects should be pursued both to combat climate change and help build an innovation ecosystem across the Atlantic and Pacific oceans. Similarly,

the United States should work with other nations—in particular, the European Union, whose leadership has proposed similar measures—to develop and implement border adjustment tariffs to prevent a race to the bottom on climate policy that would only undermine American and global efforts to transition to cleaner sources of energy.<sup>86</sup>

The United States can strengthen global resilience to the risks of climate change while driving climate decarbonization by integrating analysis of these risks into the nation's financial regulatory and supervisory framework. To start, the Federal Reserve and other U.S. federal financial regulators should join the international Network for Greening the Financial System. Similarly, the incoming Biden administration should immediately prohibit the Export-Import Bank of the United States and the U.S. International Development Finance Corporation from funding fossil fuel projects wherever they operate. The United States should encourage other national and international finance institutions to enact similar prohibitions, perhaps through the G-7 or OECD.<sup>87</sup> Finally, the United States should make good on its \$2 billion pledge to the Green Climate Fund and commit an addition \$4 billion to help support developing countries in the fight against climate change.

# Conclusion

This ambitious domestic and foreign policy agenda requires an expansive effort to build new coalitions across partisan and ideological lines here in the United States. Working together, these coalitions can create a new model of political economy that learns the right lessons from the previous era of globalization, strengthens America's standing in the world, and benefits all Americans.

In the big picture, the agenda proposed in this report is not just about recovering from the COVID-19 pandemic and the economic fallout. It is a more long-term plan designed to achieve a fundamental transformation: to rewire America's economy, to rebuild the social safety net, and to reconnect America to the world after two decades of partisan gridlock at home and unforced errors on the world stage. To make this sweeping vision a reality, Americans of all stripes need to think bigger and beyond the narrow confines of "us versus them" politics and strive toward a more perfect union with their eyes fixed on the future, while learning important lessons from the past and present.

The 2020 pandemic has brought America to a reckoning, and it faces a choice: It can continue to grind away in divisive politics and fight the battles of yesterday, or it can seek to build new coalitions that think anew about the problems the country currently faces with an eye toward a better future. This is an important pivot point in America's history. After teetering on the brink of a collapse of its democratic political system in the 2020 elections, Americans chose to change the president; but the less than decisive congressional outcomes reflect the sharp and uneasy divisions that still exist in the country. An important takeaway from this electoral outcome many people tend to miss, however, is the real possibility of stitching together diverse coalitions around outcomes that most Americans want. What is needed is a vision to point the way.

The remedy is not simply going back to the way we have been doing things over the past few decades. In the 1980s, the United States moved toward a neoliberal model for its economy, one that frayed the social safety net constructed by Franklin D. Roosevelt in the 1930s, Lyndon Johnson in the 1960s, and Richard Nixon in the 1970s. This frayed social safety net, coupled with a new phase of hyperglobalization, produced growth but dramatically increased economic inequality.

The new millennium began with a number of shocks to the U.S. economic and social systems, which left millions of Americans behind. A number of unforced errors on the world stage such as the 2003 Iraq War—combined with a 2008 financial crisis resulting from massive deregulation, corrupt cronyism, and neglect—exacerbated divisions within American society. Other countries such as China rose and sought to present themselves as a more viable alternative. However, thinking narrowly at this moment in time will not fix the problem.

To use an analogy, the effort outlined in this report to revive the economy is not simply jump-starting the battery of a stalled car or, in the case of the pandemic, one that was intentionally shut down. Rather, it is a major overhaul of the engine that motors America's economy and installs the shock absorbers to more effectively cushion all Americans and give their families and future generations a better chance for a life with dignity and prosperity. This new engine will continue to run on the mix of private enterprise, robust competition, and public investment that has served America so well in the past. Indeed, it is still the only system that has delivered proven results to make life better for millions in America and around the globe. But that system requires more support from its own people through the elected government leaders: The public sector must play a vital role in refurbishing the current engine of America's economy and political model in order to meet the challenges coming from competitors abroad as well as the divisions within the country.

At more than \$20 trillion GDP, America still has the largest economy in the world. But with China's rise, at some point in this decade, that will no longer be the case. China has presented itself as an alternative political and economic model and is seeking to make its model appealing to a number of swing nation-states in today's geopolitics—midsize economies and countries in Asia, Europe, Africa, and the Americas.

The United States needs the ambitious overhaul outlined in this report to compete in the world and also to bring along millions more of its own people who have been left behind by the current engine. This will require a massive short-term injection of public money to rewire the system so that it can complement the very assertive role that the Federal Reserve, America's central bank, has played in the pandemic response to support America's workers and businesses.

The U.S. federal government's annual budget is currently at \$5 trillion; the agenda detailed in this document would cost an estimated 2 percent of GDP annually over a multiyear period. That price tag is small compared with the outcomes and economic output that this ambitious overhaul represents. But already, voices on the right—

many of whom were architects or supporters of the approach that landed the country in the ditch it is currently in—are raising concerns about mounting government debt. It would be unwise to listen to voices that have been part of the problem rather than the solution. The cost of debt remains at an all-time low, and the opportunities presented by a bold reform agenda would produce payoffs that would make America more vibrant and dynamic, with clean energy investments and innovation that would lead the country into the future.

To get there, a new story is needed. This new national narrative would seek to widen the coalition at home to achieve tangible improvements for Americans while working with others in the world on the opportunities to improve security and produce economic value while improving human dignity for all. At home, this means engaging and consulting with unions, trade associations, and corporations involved in key strategic sectors such as clean energy, information technology, and aerospace. It means working with advocacy and activist groups, including those addressing climate change, anti-monopoly activists, and other groups working to change laws and regulations in ways that strengthen America's political system and economy in order to make it more equitable, just, and globally competitive.

It will not be easy to stitch this coalition together; there will be disagreements—some of them severe. But if America is to succeed in rebuilding at home and restoring its standing in the world, we must engage constructively with each other and with other countries.

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## Our Mission

The Center for American Progress is an independent, nonpartisan policy institute that is dedicated to improving the lives of all Americans, through bold, progressive ideas, as well as strong leadership and concerted action. Our aim is not just to change the conversation, but to change the country.

## Our Values

As progressives, we believe America should be a land of boundless opportunity, where people can climb the ladder of economic mobility. We believe we owe it to future generations to protect the planet and promote peace and shared global prosperity.

And we believe an effective government can earn the trust of the American people, champion the common good over narrow self-interest, and harness the strength of our diversity.

## Our Approach

We develop new policy ideas, challenge the media to cover the issues that truly matter, and shape the national debate. With policy teams in major issue areas, American Progress can think creatively at the cross-section of traditional boundaries to develop ideas for policymakers that lead to real change. By employing an extensive communications and outreach effort that we adapt to a rapidly changing media landscape, we move our ideas aggressively in the national policy debate.

