

President Barack Obama: "I can promise you that I won't let up until the Americans who want to find work can find work and until all Americans can earn enough to raise their families and keep their businesses open." (Nov, 2009) — **Sen. Daniel Inouye (D-HI):** "In this time of economic crisis, nothing is more important than keeping America working." (March 2, 2009) — **Sen. Jon Kyl (R-AZ):** "Rather than simply treat the symptoms of a bad economy, we must take the steps that offer real solutions to improving the economy and creating new jobs." (January 12, 2009) — **Sen. Mitch McConnell (R-KY):** "At a time of 10% unemployment, we should be doing everything we can to create jobs." (December 9, 2009) — **Senate Majority Leader Harry Reid (D-NV):** "Republicans should join Democrats as we work to create jobs and strengthen the middle class." (January 31, 2011); "People who have spent their whole lives working hard are struggling to find jobs amidst the worst economic crisis since the Great Depression. Helping these families stay afloat is not a partisan issue. It is an urgent national issue that demands action now." (October 9, 2009) — **Sen. Richard Durbin (D-IL):** "We need to act, act decisively, and act boldly... We need to invest in jobs for American workers." (January 8, 2009) — **Sen. John Thune (R-SD):** "We need to act, act decisively, and act boldly... We need to invest in jobs for American workers." (January 8, 2009) — **House Majority Leader Eric Cantor (R-VA):** "We've got to shift from having a government that smothers new jobs and business growth to one that nurtures an environment for getting people back to work." (March 21, 2011) — **House Democratic Leader Nancy Pelosi (D-CA):** "Today's troubling report on increasing jobless claims highlights the need for the Congress to do everything we can to create more jobs for American workers and families." (November 20, 2008 letter to Pelosi) — **Speaker John Boehner (R-OH):** "We need to get Americans back to work and we need to get American businesses back open again." (July 22, 2010) — **Former Senator Hillary Clinton (D-NY)** — **Former Senator Hillary Clinton (D-NY):** "The economy is not working for middle class families." (Jan 28, 2008) — **Senator John McCain (R-AZ):** "The economy is not working for middle class families." (Jan 28, 2008) — **Rep. Tom Price (R-GA):** "Right now, our focus should be creating jobs and getting our economy running again." (February 2011) — **Rep. Michele Bachman (R-MN):** "...we can work together to discuss new policies and opportunities for job growth as our economy struggles to regain its momentum." (May 3, 2010) — **Rep. Mike Pence (R-IN):** "Jobs, jobs, jobs [are] still the #1 job on Capitol Hill." (September 9, 2009) **President Barack Obama:** "I can promise you that I won't let up until the Americans who want to find work can find work and until all Americans can earn enough to raise their families and keep their businesses open." (Nov, 2009) — **Sen. Daniel Inouye (D-HI):** "In this time of economic crisis, nothing is more important than keeping America working." (March 2, 2009) — **Sen. Jon Kyl (R-AZ):** "Rather than simply treat the symptoms of a bad economy, we must take the steps that offer real solutions to improving the economy and creating new jobs." (January 12, 2009) — **Sen. Mitch McConnell (R-KY):** "At a time of 10% unemployment, we should be doing everything we can to create jobs." (December 9, 2009) — **Senate Majority Leader Harry Reid (D-NV):** "Republicans should join Democrats as we work to create jobs and strengthen the middle class." (January 31, 2011); "People who have spent their whole lives working hard are struggling to find jobs amidst the worst economic crisis since the Great Depression. Helping these families stay afloat is not a partisan issue. It is an urgent national issue that demands action now." (October 9, 2009) — **Sen. Richard Durbin (D-IL):** "We need to act, act decisively, and act boldly... We need to invest in jobs for American workers." (January 8, 2009) — **Sen. John Thune (R-SD):** "We need to act, act decisively, and act boldly... We need to invest in jobs for American workers."

— THE — TASK FORCE ON JOB CREATION

JULY 2011

A Vision for Economic Renewal:
An American Jobs Agenda



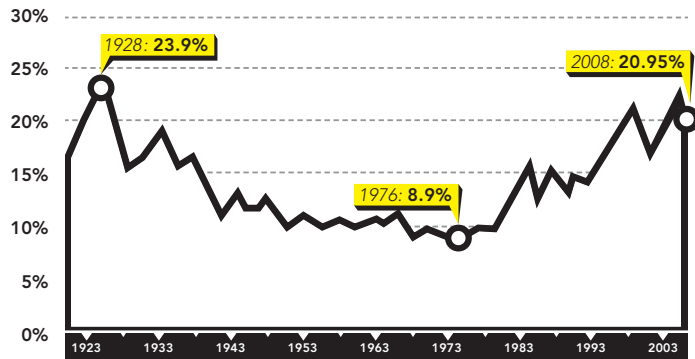
274C

U.S. GLOBAL COMPETITIVENESS RANKING FOR INFRASTRUCTURE **15th**

Source: 2010 World Economic Forum, Global Competitiveness Report

Income Inequality:

Top 1% Share of Total Pre-Tax Income 1928-2008



Source: Piketty and Saez (2003), series updated to 2007

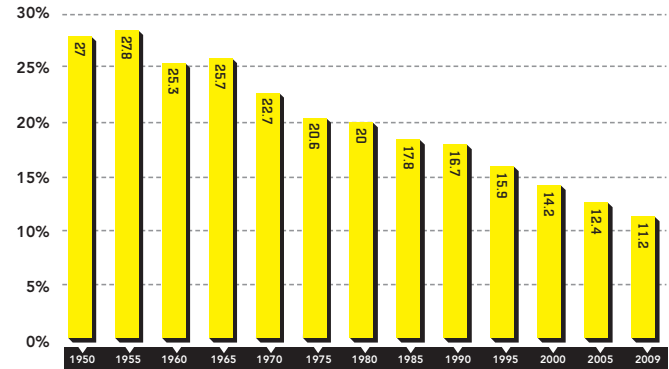
9.1% Official unemployment rate, May 2011

Real unemployment rate, May 2011 **18.2%**

Source: Bureau of Labor Statistics

Manufacturing as percentage of GDP:

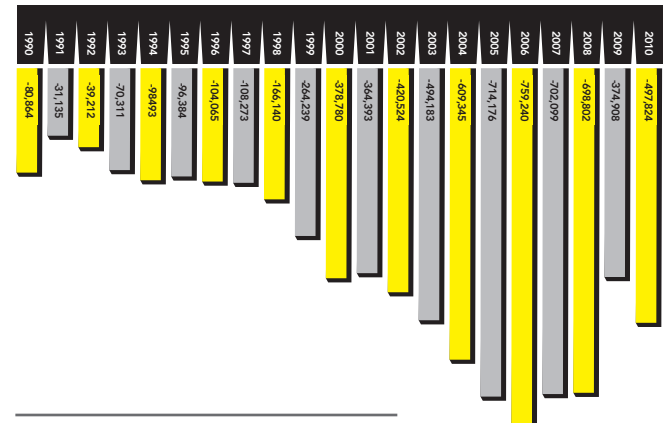
Release date: December 14, 2010



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Trade Deficit: US Trade Balance 1990-2010, In millions

(overall and with top-5 trading partners)



Source: US Census

LETTER FROM THE CHAIRMEN

This report shows a lot of big numbers with a lot of bad news. It is about globalization out of control, people without work, jobs lost to competitors overseas, a drop in manufacturing, unemployed youth with no options, America losing its technological edge.

It is a sad stew of overwhelming facts that can be hard to confront. But confront them we must.

Behind every indifferent statistic is a husband, wife, daughter, mother, sister, friend, neighbor or fellow American in trouble. There are many of them, and each has a tale of deprivation or loss that needs to be heard.

President Franklin D. Roosevelt understood this when he told Congress and the nation in his final State of the Union Address, "We cannot be content, no matter how high the general standard of living may be, if some fraction of our people—whether it be one-third or one-fifth or one-tenth—is ill-fed, ill-clothed, ill-housed, and insecure." He recognized that the economic challenges the nation faced during the Great Depression were playing out in the lives of ordinary Americans all across the country. President Roosevelt understood that his duty and that of government was to replace the insecurity and fear and hopelessness that had rightly gripped the population with palpable reasons for hope. He knew that Americans needed protections and employment and security.

Our national leaders today need to think about the good people in our country who face the same fears and who need the same assurances.

We need our Executive branch and Congressional leaders in Washington today, just as we needed them then, to help steer this nation to a safer harbor.

Please accept this report, and our recommendations for immediate action.

Sincerely,

Leo Gerard and Leo Hindery, Jr

Leo W. Gerard

Leo Hindery, Jr

—THE— TASK FORCE ON JOB CREATION

JULY 2011

A Vision for Economic Renewal:
An American Jobs Agenda

TASK FORCE MEMBERS

LEO HINDERY, CO-CHAIR
*US Economy/Smart
Globalization Initiative,
New America Foundation*

LEO GERARD, CO-CHAIR
United Steelworkers

R. THOMAS BUFFENBARGER
*International Association
of Machinists and
Aerospace Workers*

GIL KAPLAN
King and Spalding

MICHAEL LIND
New America Foundation

ANNA BURGER
*Harvard University Advanced
Leadership Initiative Fellow*

MIKE LUX
Progressive Strategies

CHRIS CHAFE
*Clean Economy
Development Center*

DANA M. MARSHALL

LAWRENCE MISHEL
Economic Policy Institute

LEECIA EVE
No Limits Foundation

PAT MULLOY
*US-China Economic and
Security Commission*

MARC FASTEAU
*American Strategic
Insurance Group*

ALAN PLATT
Gibson, Dunn & Crutcher, LLP

RALPH GOMORY
Stern School, NYU

CLYDE PRESTOWITZ
Economic Strategy Institute

OWEN HERRNSTADT
*International Association
of Machinists and
Aerospace Workers*

ANDREW RICH
Roosevelt Institute

KENT HUGHES
Woodrow Wilson Center

BERNARD SCHWARTZ
BLS Investments

ROB JOHNSON
Roosevelt Institute

SHERLE SCHWENNINGER
New America Foundation

EDITED BY LINDA FLANAGAN

TABLE OF CONTENTS

08:	Executive Summary
16:	1—Manufacturing
24:	2—Trade and Globalization
34:	3—U.S.—China Trade
40:	4—Infrastructure Crisis
46:	5—Jobs in the Green Economy
52:	6—Youth Unemployment
58:	Closing Summary

EXECUTIVE SUMMARY

“Our infrastructure is collapsing even as the people most equipped to repair it need work.”

The economic environment in America today is more dire than most of us have ever known. We are in the midst of an unemployment emergency, in essence a jobless recovery: notwithstanding recent marginal upticks in official U.S. jobs numbers, there will be no fundamental improvement in the unemployment picture unless major new national economic strategy initiatives are taken. Who will step up to drive them forward?

Americans need work, but many of the jobs on which they used to depend have vanished or gone abroad. Official unemployment numbers hover around nine percent. Compounding the challenge is the large budget deficit, the \$14 trillion in federal debt, and the large and growing size of our nation's international debtor status, which is the result of our massive and persistent trade deficits.

So far the White House has failed to acknowledge the magnitude of the problem and continues to apply a scattershot approach to solving it. Rather than bring all national resources to bear on the jobs crisis, the White House has addressed the interlocking variables in separate stovepipes.

Our national leadership is responsible for tackling such crises, and President Obama has shown a willingness to reform health care and regulate the financial services industries. Today our nation needs that same passion and commitment directed at job creation. All the factors contributing to the jobs crisis must be examined together so that our government can apply a coherent set of solutions to the problem. America needs the full attention of Congress and the White House to help get our unemployed back to work.

This report starts with our recommendations for reversing the crisis. They focus and reorganize the Administration's job creation efforts through legislative action and the creation of new units in the Executive branch. Carrying them out will demonstrate responsiveness on the part of our government and a return of hope to millions of Americans who long for a steady paycheck and basic financial security.

The report continues by shining a light on six related economic

policy areas that should be addressed to reverse the jobs crisis: manufacturing, trade and globalization, U.S.-China trade, the infrastructure crisis, jobs in the green economy, and youth unemployment. As well, the report proposes concrete recommendations that can be taken immediately to remove obstacles to hiring, and offers other policy options that should be adopted over time.

Not since the Great Depression has official unemployment been above nine percent for more than 20 months.

Manufacturing, first, is in freefall: in just three years, 2.5 million more jobs have been lost. The backbone of any economy, providing good jobs and respectable wages to skilled and unskilled laborers alike, manufacturing is the main source of exports and the genesis of innovation. Our nation's manufacturing is only one-third the size it needs to be, and its continued decline will limit job growth and jeopardize our national standing.

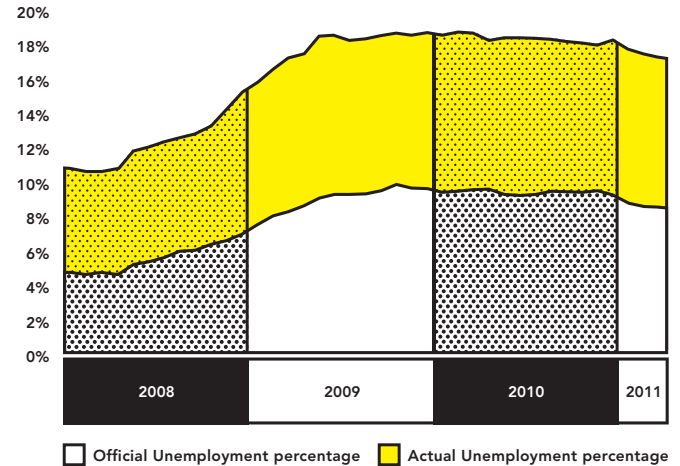
Trade and globalization in their present form exacerbate the manufacturing industry's woes. Many of our trade partners, especially China, have failed to protect the rights of workers or the environment, and have greatly subsidized their industries at our expense. Large American and other international corporations have seen the benefit of moving manufacturing to cheaper places abroad, and in turn workers here have lost their jobs. Yet our federal government continues to address trade in piecemeal fashion, overlooking the challenges it poses to our national competitiveness. We need an integrated government approach to manufacturing and global trade.

Coincident with the loss of manufacturing is the decline of our nation's infrastructure. Bridges, roads, electrical grids, even

broadband penetration, among other large-scale transportation and energy systems, are missing or in disrepair. Our infrastructure is collapsing even as the people most equipped to repair it need work. So far, our leadership has largely failed to marry the demand for work with those who can supply it.

Employment opportunities in the "green economy" should provide some relief. As with infrastructure repair, the types of skills needed to improve energy efficiency, for example, can be found among our unemployed. As the demand for clean and efficient manufacturing

Real Unemployment vs Official Unemployment



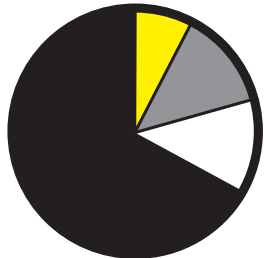
Source: Bureau of Labor Statistics

grows, the employment opportunities for our workers should grow with it. But green jobs are too limited to rescue the vast numbers of unemployed. Nevertheless, our government can modify several existing laws to promote hiring in this economic sector.

The hardest hit among the unemployed are young people. When the college educated and those without a high school diploma scramble for the few available jobs, the result is underemployment for the educated and joblessness for society's least-equipped. Youth unemployment is especially pernicious because its effects can last a lifetime, in the form of permanently depressed wages or dependence on public welfare. Our government needs to be more creative and supportive in helping employers hire young people.

When income grows, who gains?

1948-1979

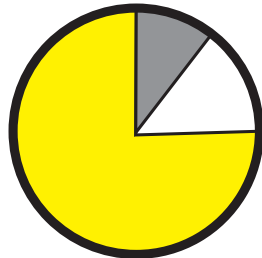


Average incomes in the U.S. **grew** by \$20,822

The richest 10% got 33% of that growth.

The bottom 90% shared 67% of income growth.

2000-2007



Average incomes in the U.S. **grew** by \$1,460

All growth went to the richest 10%.

Income of the bottom 90% actually declined.

■ Bottom 90% ■ Top 5-10% □ Top 1-5% ■ Top 1%

Source: The data come from this table <http://www.econ.berkeley.edu/~saez/TabFig2008.xls> on Emmanuel Saez's website at University of California, Berkeley.

The near-term recommendations we propose will cost relatively little to implement. And given the two-year renewal of the Bush tax cuts for the wealthiest of Americans, taking steps now to increase employment opportunities for the less fortunate is appropriate and right. Some of our large-scale recommendations will have to wait until our national fiscal health improves, as beneficial as they will be over the long term. In the meantime, we recommend the immediate adoption of several programs and laws.

Citizens everywhere look to their governments for leadership. They want those who control the levers of power to listen and respond in times of trouble. Demonstrators in Egypt and across the Middle East have revealed this same human desire for accountability and action from those with the power to make change. Yet even in our own democratic society, the cries of the desperate and fearful can go unheard. Elected officials and those with the responsibility to serve and protect the American people are distracted by the background buzz of competing problems and other urgent needs. They often tune out the unpleasantness of everyday life for tens of millions of unemployed Americans.

Nothing is more important than getting people back to work. Now is the time to pay attention, to finally see what is happening, and to take action. Show the moral courage that defines true leadership and resolve to restore what all good Americans want and need: the security, well-being and self-respect that come from work. →

RECOMMENDATIONS

- 1.) **Create a National Infrastructure Bank.** An independent financial institution owned by the government would fund a broad range of initiatives and leverage private capital.
- 2.) **Link an investment tax credit directly to jobs.** A ten percent investment tax credit for the rehabilitation and renovation of existing manufacturing facilities could pump billions of dollars into the modernization of America's plants.
- 3.) **Enact temporary tariffs.** As permitted under World Trade Organization (W.T.O.) rules, temporary tariffs should be enacted to overcome our nation's huge and persistent trade deficit, as well as the loss of manufacturing jobs.
- 4.) **Establish firmer buy-domestic procurement requirements.** No single measure would do more to help resuscitate U.S. employment, particularly in manufacturing, than a buy-domestic government procurement requirement that is consistent with our international trade obligations.
- 5.) **Eliminate the tax incentives that encourage American companies to invest overseas rather than here at home.** Government resources should be used to provide financial and legal inducements for corporations to provide good jobs for Americans at home.
- 6.) **Create an independent body within the White House focused on American competitiveness.** A stand-alone unit with this primary mission would serve to rationalize and guide our nation's trade and manufacturing policies, and help focus the U.S. government on the challenges that China presents.
- 7.) **Protect national security manufacturing.** The advanced technology and manufacturing capacity necessary for America's weaponry and self-defense must be safeguarded.
- 8.) **Require Employment Impact Statements to determine which government programs create and support U.S. jobs.** Government contracts and other awards should favor those applicants whose projects can be shown to provide greater domestic employment.

- 9.) **Create a new bureau within the Justice Department to enforce trade laws and agreements.** An independent office within the Justice Department would be more effective than the United States Trade Representative (U.S.T.R.) in enforcing trade agreements.
- 10.) **Initiate trade cases under the U.S. trade remedy laws, not just the W.T.O.** The United States should spearhead an Unfair Trade Strike Force to be deployed when nations violate trade laws.
- 11.) **Pursue a variety of initiatives aimed at countering China's theft of intellectual property, restrictions on the export of rare-earth minerals, abuse of its centralized approval authority, and indigenous innovation policies.** Our government must be willing to challenge and mitigate the disastrous effects of Chinese economic policies on American manufacturing and trade.
- 12.) **Extend the Cash Grant Program for renewable energy production.** Allowing an extension to the existing 1603 program, which aids renewable energy companies, would help create jobs and avoid further losses.
- 13.) **Lengthen the Advanced Manufacturing Tax Credit (Section 48c).** Investments in qualified advanced energy products should continue to receive a tax advantage.
- 14.) **Expand Title 17 Loan Guarantee Program.** Broadening Title 17 to include energy efficiency investments could create new green jobs in commercial and industrial building.
- 15.) **Extend the Work Opportunity Tax Credit (W.O.T.C.) beyond August 2011.** The nation's ongoing youth unemployment crisis demands that the W.O.T.C. provision, which gives employers a tax incentive for certain hires, should be extended beyond this summer. ■

MANUFACTURING

1

“Industries that once were great contributors to our country—auto, shipbuilding, machine tools and even electronics—are shadows of what they once were.”

Manufacturing is essential for our nation's economic recovery and long-term health.

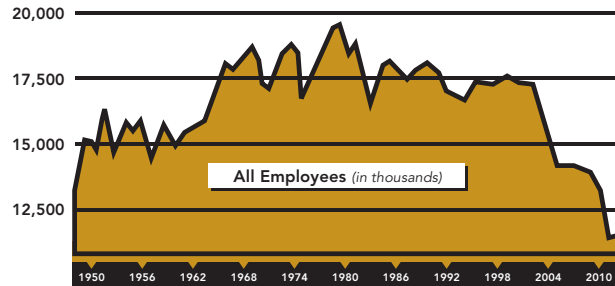
Employing less than a tenth of Americans, and making up about 11 percent of our Gross Domestic Product, manufacturing provides good jobs that require high skills and pay above-average wages. Investment in manufacturing research and development has created new industries and sparked innovations that have employed generations of U.S. workers and bolstered our nation's economic health.

Though critically important, the sector is failing: as a percentage of G.D.P., manufacturing has dropped 15 percent since 1998. More than 2.5 million manufacturing jobs have been lost just since December 2007. Between January 2000 and January 2010, manufacturing employment declined by nearly six million. Industries that once were great contributors to our country—auto, shipbuilding, machine tools and even electronics—are shadows of what they once were. Jobs in other leading-edge industries like aerospace are being sent offshore. Even new industries that started in the United States, such as renewable energy, are mostly creating jobs outside our borders in countries like China.

Lost manufacturing jobs are especially painful because their “substitutes” in the service industry are not their equals. Manufacturing jobs pay a substantially higher income, can help ameliorate our trade imbalances, and generate the largest multiplier of any job sector in the economy. If the manufacturing sector produced 20 percent of GDP, 12 million workers would be hired as a direct result, and another 30 million jobs would open up to support them. No nation as big and complex as ours can have

Manufacturing jobs pay a substantially higher income, ameliorate the balance of trade, and generate the largest multiplier effect of any job sector in the country.

U.S. Manufacturing Employment



Source: Bureau of Labor Statistics

manufacturing make up less than 20 to 25 percent of its economy.

This industry collapse translates into vast numbers of able Americans without work. Capable men and women across the country can no longer afford a house, buy their medication, or replace the failing family car. Small household cutbacks add up and ripple through the economy. Manufacturing is the foundation of our economy, and when it erodes our nation weakens.

In the end, trade deficit-induced losses of manufacturing jobs jeopardize our economic and national security. The manufacturing sector historically has been the engine of economic growth for the U.S. economy, and even in its weakened state it now accounts for more than two-thirds of our exports to the world. In addition, two-thirds of our country's R & D spending derives from our manufacturing sector. As we lose our manufacturing base to China and other nations, we are also losing our technology base and reducing our ability to innovate. Finally, many of America's less privileged and minority citizens have been able to advance economically through manufacturing jobs. Without this option, many citizens will never move up the economic ladder.

While there are many reasons for manufacturing's decline and the closely-related economic crisis, one of the most fundamental is the absence of a U.S. national manufacturing strategy, or even

a framework for creating one. Government policies related to tax and investment, research and development, trade, employment, currency valuation, export initiatives and controls, domestic procurement and other areas are created in silos. These domains must be integrated to produce a cohesive and effective strategy that will restore the U.S. manufacturing sector, ensure the growth of high-wage jobs, and build a sustainable U.S. economy.

Other countries have well-developed manufacturing policies to expand employment and boost high-value exports. The European Commission developed an industrial policy for the European Union, and China directs its important industries, such as renewable energy, automobiles, aerospace, steel, communications, computing and software. The United States must develop its own robust national competitiveness strategy if it hopes to protect the workforce and remain competitive in the global economy. →

Manufacturing is the foundation of our economy, and when it erodes our nation weakens.

IMMEDIATE ACTIONS

Establish firmer buy-domestic procurement requirements.

No single measure would do more to help resuscitate U.S. employment, particularly in manufacturing, than a buy-domestic government procurement requirement. All infrastructure projects funded and guaranteed by the federal government and the proposed infrastructure bank should require purchases to be made in America rather than overseas, consistent with our international trade agreements. As well, to qualify as “Made in America,” at least 75 percent of the content should have to be manufactured within our borders. To make that happen, Congress should build on the “Make it in America” initiative and require domestic content calculations to be effective and transparent. Domestic sourcing requirements for all government procurement programs (e.g., Buy American, the Recovery Act) and programs that support U.S. exports (e.g., the U.S. Export-Impact Bank) should also be reviewed to ensure that contracting agencies are obeying and implementing the requirements. The Defense Authorization Bill passed in December that requires the Pentagon to buy solar panels from U.S. manufacturers is just the right step. In addition, Congress needs to enact a successor to the 1933 Buy American Act.

Link an investment tax credit directly to jobs.

During the recession of the 1980s, then Senator Howard Metzenbaum (D-Ohio) proposed a ten percent investment tax credit to rehabilitate existing stores and businesses. Crafted to encourage businesses to renovate older downtown buildings, the legislation used \$40 billion in tax expenditures to generate nearly \$400 billion in private investment. A 10 percent investment tax credit for the rehabilitation and renovation of existing manufacturing facilities could pump billions of dollars into modernizing America’s plants. With an additional investment tax credit for new equipment, businesses could retool their factories. Banking these two investment tax credits to offset downstream profits would create millions of new jobs.

Require Employment Impact Statements to determine which government programs create and support U.S. jobs.

Congress should introduce legislation that links domestic employment with certain government activities. One way to carry out this simple, common-sense policy would require those bidding or applying for government contracts, assistance, grants, or awards to provide detailed Employment Impact Statements (E.I.S.) in the application process. Results of the E.I.S. would factor into the outcome of the project or transaction. Reporting requirements and monitoring would insure compliance with E.I.S. →

LONG-TERM RECOMMENDATIONS

Formulate a W.P.A.-like program to create jobs now.

As the U.S. economy strengthens and the deficit shrinks, the government should consider a 21st Century version of Franklin Roosevelt's Works Progress Administration. Roosevelt put millions of Americans back to work in 1935 by creating jobs that improved living conditions and generated new wealth. Today's unemployed can be put to work renovating factories and installing new equipment, devising new financing, marketing and sales packages for local business, and reinventing the way we deliver skills. Providing counties and local communities with the federal dollars to hire the unemployed will improve our global competitiveness and jump-start depressed local economies.

Create a President's Council on Manufacturing Policy.

The U.S. has no national manufacturing policy and no mechanism for developing one. The President should create a permanent Council on Manufacturing to help the federal government develop smart manufacturing policies. Consisting of senior government officials, private sector leaders, and labor representatives, the Council would aim to restore domestic manufacturing and to build high-quality domestic manufacturing jobs. As well, it could assist the Administration and Congress in ensuring that policies throughout the government contribute to domestic manufacturing. The Council also could advise the Administration on those manufacturing industries that are essential to national security and recommend ways to spur start-up companies.

Increase funding for the Technology Innovation Program and the Manufacturing Extension Program of the National Institute for Standards and Technology.

These programs promote federal R&D in new technologies. The Manufacturing Extension Program diffuses existing technology and best business practices as well as new technologies that emerge from the Technology Innovation Program. ■

TRADE AND GLOBALIZATION

2

“We must mobilize to defend ourselves and restore balance and mutual benefit to international trade.”

The United States now finds itself in a new era of global economic competition in which not all nations win. Since 2001, our nation has lost millions of manufacturing jobs and at least a million white collar jobs, while experiencing massive annual trade deficits totaling over \$6 trillion. Though other nations have developed strategies to compete in a globalized economy, America has not. As a result, we are losing our wealth to other nations as well as the technological capabilities we need to innovate and create new wealth. Globalization—the process of creating a unified global economy through the breaking down of barriers among national economies—has helped generate this downturn for America in manufacturing, trade, and income. We must mobilize to defend ourselves and restore balance and mutual benefit to international trade.

Our government did not agree to the trade policies and international agreements adopted years ago with the intention of damaging our industry or economic standing. Indeed, the Uruguay Round Trade Agreement of 1993, which cut tariffs and removed obstacles to trade, sought to expand the global flow of goods, services and investments. All nations and economies were meant to benefit.

But in the absence of obligations to protect worker rights or the environment, or to ensure that the social safety nets of the developed countries could survive in a global trading system, basic human rights have suffered and our own economy has been damaged.

In many parts of the developing world, workers toil for minimal pay under harsh conditions because organizing against unfair

As the high paying jobs that once belonged to American workers move overseas, we find our trade deficit increasing.

treatment is prohibited. This cheap labor seduces large multinational companies to move production overseas, where health care, pension and environmental costs are minimal. Private corporations profit, particularly those at the very top, while human rights and the environment are plundered. At the same time, U.S. workers lose their jobs and American manufacturing grows weaker.

This process is then compounded by the fact that many of the Asian countries to which these jobs are being relocated are manipulating their currencies to keep them undervalued against the dollar or providing subsidies or other unfair trade benefits. This accelerates the movement of jobs abroad. As the high paying jobs that once belonged to American workers move overseas, we find our trade deficit increasing. Since China joined the W.T.O. in December 2001, we have run over two trillion dollars in trade deficits with that nation alone. Last year, \$80 billion of our \$270 billion deficit consisted of “advanced technology products.”

Jobs that replace manufacturing jobs lost to other nations pay substantially less. Trends in U.S. income distributions confirm this. While earned income levels for 90 percent of the population have not budged for ten years—and that of the bottom 60 percent of wage earners has been stuck for 20—the upper tier has seen enormous income growth. Economists at the Paris School of Economics report that between 2002 and 2007 the top one percent of Americans enjoyed all of the nation’s income growth. The numbers are just as stark when comparing percentages of total income: in 2007, the top ten percent of earners made 50 percent of our nation’s total income, while the one percent on top took home 24 percent of it. Put differently, the top tenth of that one percent takes home the combined earnings of the 120 million on the bottom. In part because of outsourcing, corporate executives and large shareholders

We must fix our tax code so that corporations are not rewarded for closing plants and shipping jobs to countries like China.

US Trade Balance 2010 *(Top 10 Trading Partners)*

COUNTRY	Total Trade (in billions) Imports + Exports	Total Trade (in millions) Exports – Imports
Canada	524.67	-27,666
China	456.82	-273,065
Mexico	392.98	-66,333
Japan	180.89	-59,802
Germany	130.88	-34,478
United Kingdom	98.25	-1,258
South Korea	87.7	-10,015
France	65.56	-11,540
Taiwan	61.93	-9,879
Brazil	59.28	11,439

Source: US Census

have watched their earnings soar, while American workers have seen their incomes fall or jobs disappear. More than a handful of economists have begun to wonder if America is going the way of a banana republic.

Globalization has accelerated so quickly in the last 15 years that our leadership has failed to recognize its sometimes devastating effects on our economy and way of life. We must develop a national strategy to compete in the 21st century. The standard of living of our citizens and our nation’s security will depend on our ability to do so. →

IMMEDIATE ACTIONS

Eliminate the tax incentives that encourage American companies to invest overseas rather than here at home.

We must fix our tax code so that corporations are not rewarded for closing plants and shipping jobs to countries like China. Right now, we actually provide tax incentives for companies to invest overseas, a sure sign that our economy works best for big business instead of for regular Americans. Instead, we should be using government resources to provide financial and legal inducements to those corporations, domestic and foreign, that will provide good jobs to America.

Protect national security manufacturing.

Today the United States has an \$80 billion annual trade deficit with China for what are called “Advanced Technology Products”, many of which are essential to our nation’s high-tech weaponry and national defense. Advanced Technology Products include semiconductors, biotech medicines, fiber optics, satellite technology and other critical products. In addition to losing high-value manufacturing jobs overseas, America relies so much on foreign countries for these and other vital products that our national security may be jeopardized. Congress should pass legislation requiring certain critical items to be subject to a national security impact statement before allowing their manufacturing overseas. Any product that the Department of Defense includes on its Militarily Critical Technologies List (M.C.T.L.), or which has potential national or homeland security implications, should be subject to much stricter review before the technology and jobs are sent overseas. As well, Congress needs to more carefully scrutinize technology transfers of “civilian” goods, such as avionics equipment, that can be put to military use.

Enact temporary tariffs.

Restricting imports is permissible under W.T.O. rules to address large trade deficits and resulting reserve imbalances, and advisable when particular industries are under threat. Indeed, according to Article XII of the G.A.T.T. agreement, a nation may restrict “the quantity or value of imports in order to safeguard its external financial position and its balance of payments.” Given our nation’s huge and persistent trade deficit, as well as the loss of manufacturing jobs, Congress should enact temporary tariffs to protect our high-value manufacturing. A temporary policy of import tariffs—such as the ones that the Nixon Administration imposed in 1971, using the same logic—coupled with encouragement of foreign direct investment in these industries, would provide the United States with all the benefits of free trade without promoting a low-wage workforce.

Create a new bureau within the Justice Department to enforce trade laws and agreements.

Those who make the trade agreements should not be responsible for enforcing them. An independent office within the Department of Justice, divorced from the U.S.T.R. where deals are made, would be tougher and more effective at enforcing our trade agreements.

Initiate trade cases under the U.S. trade remedy laws, not just the W.T.O.

The United States should spearhead an Unfair Trade Strike Force to be deployed when nations violate trade laws. The Strike Force should review trade flows and agreements, as well as the effect trade is having on U.S. industry. Where there are instances of unfair trade hurting U.S. producers and workers, the Strike Force should automatically initiate anti-dumping, countervailing duty, and other measures to halt unfair trade. →

LONG-TERM RECOMMENDATIONS

Offset tax disadvantages to American corporations caused by the Value Added Tax (V.A.T.).

The United States relies exclusively on an income tax to raise revenue from its corporations. Most of our trading partners, including all the largest, use a lower corporate income tax than the United States, as well as a V.A.T. Because the V.A.T. is refunded on exports and charged on imports while income tax is not, the result is net higher taxes on U.S.-made products sold both here and abroad. This has the unintended effect of encouraging American manufacturers to move production out of the United States. Congress should enact specific countermeasures to rectify the imbalance, including offering partial tax rebates on exported goods and imposing equivalent taxes on imports.

Create a U.S. Technology Strategy Board to administer and maintain National Technology-Based Planning and to develop a competitiveness strategy for the United States.

Japan, Germany and China use technology mapping systems to develop broad national strategies for business, education, research and development, and trade. The key proposition of technology-based planning, developed in the United States as Project Socrates under the Reagan Administration, is that competitive advantage, at the company or national level, comes from control of technologies that are critical to satisfying present and future consumer needs. Technology-based strategic planning starts with a map of all important technologies, showing how they relate to each other and to present and anticipated consumer needs. All entities—business, academic and government, domestic and foreign, where these technological capabilities reside—are part of this “techspace” map, as is the strength of each entity’s position in each relevant technology. Strategy is then developed to ensure that critical, interactive technologies are available or can be developed, and to deny them to competitors. The

U.S. should establish a National Technology-Based Planning Process, insulated from partisan politics, which would provide voluntary but integrated and coherent strategic guidance to a wide cross-section of public and private entities. Legislation recently reintroduced by Congressman Frank Wolf (R-VA) is aimed at establishing such a system.

Promote a Manufacturing Education Act to provide vocational and technical training.

Adults at the secondary and post-secondary school level require further training for the kinds of manufacturing jobs that will be available in the future. This training should be a high priority at the national, state, and community levels.

Adopt a set of principles to guide trade agreements.

Trade deals must have at their core strong protections for the global environment and basic labor standards, such as prohibiting sweatshops and child labor and protecting the right of workers to join unions. They must strive to level the playing field among trading partners. As well, American interests should come first in all agreements. We must stop assuming that other countries will voluntarily abandon the hundreds of non-tariff trade barriers they have erected to further their long-term national economic strategies. Most simply do not believe in unrestricted free trade; their broad public statements in support of it are smoke screens to induce the United States not to adopt its own more selective and aggressive trade policies in support of our own key industries. Trade negotiators should be required to adhere to the following basic principles of free and fair trade.

1.) Trade deals must provide clear and measurable benefits for Americans. For U.S. manufacturing to prosper, domestic manufacturers must be able to compete on a level playing field with producers in other countries. Accordingly, deals must include prohibitions against illegal subsidies, currency manipulation and

LONG-TERM RECOMMENDATIONS

other cheating of the sort that is in fact encouraged under most current trade arrangements. Foreign trade barriers, like those in China, must be challenged and removed. Demands by other countries for the transfer of sophisticated U.S. technology and production in return for market access must be curtailed.

- 2.) **American leaders must set a national goal to balance trade in goods and services within five years.** The Obama administration aims to address our national trade problem by doubling exports in five years. But even this kind of export growth will not resolve trade imbalances when imports continue to grow faster than exports. Our leadership must be resolved to use every tool at its disposal to balance trade.
- 3.) **Trade policies must lift up workers around the world by tying both unilateral trade preferences and bilateral and multilateral trade agreements to measurable progress on labor rights.** Making sure that workers around the globe are treated fairly and share in the gains of trade is right morally and economically, and will make America safer and more secure at home. All of our trade partners should have to meet basic labor standards, and we must halt trade with those countries where being a trade-unionist means putting your life at stake. Gains from trade should flow to workers and not to those who exploit them. Never again can our nation condone trade agreements with countries that ignore good governance, permit violence against workers, or deny workers just wages and tolerable working conditions.
- 4.) **New trade agreements must include strong rules on environmental protection.** As the world's biggest customer, the United States can make trade deals to ensure that progress

is made in stopping global warming. Careful trade deals can also ensure that poor environmental practices do not create unfair competitive advantages, and that those who are willing to destroy the planet do not profit from their irresponsibility.

- 5.) **Trade agreements must be negotiated with the understanding that "one size does not fit all!"** Trade agreements must be tailored to the specific circumstances in the country with which we propose to trade. We need to be realistic about global differences in government, the rule of law, the relative state of countries' economies, and the day-to-day trade and business practices of potential trading partners. With trade, it is foolish to treat vastly different countries the same, as we do China, with its massive controlled and manipulated economy; Mexico, with its porous 3000-mile border with the United States; and developing countries in South America and Africa. ■

U.S.–CHINA TRADE

3

“China is systematically and massively intervening in the foreign exchange market to keep its currency undervalued against the dollar.”

What’s obvious but often unspoken when considering how to correct globalization’s unwanted fallout is China’s part in making it worse. Glossing over or ignoring China’s role will no longer work.

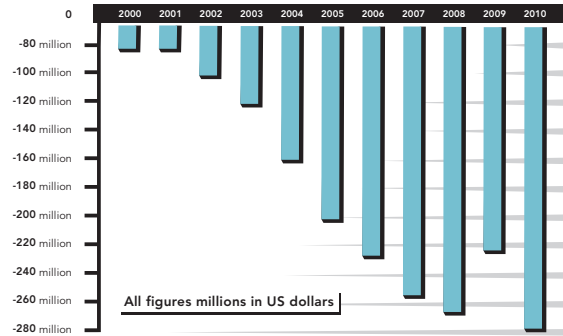
The Chinese economy has been growing at ten percent a year for the last 30 years. Such unprecedented economic growth is at the root of China’s dramatic surge in military power, international political weight, and financial influence. These developments, with their economic and geo-political implications, are not simply the outgrowth of free market forces and fair trade. Rather, they stem from sophisticated industrial and mercantilist trade policies that China has instituted to restore its great power status.

One of the most damaging is currency manipulation: China is systematically and massively intervening in the foreign exchange market to keep its currency undervalued against the dollar. In all, China has more than two trillion dollars in dollar-denominated foreign currency reserves, precisely because it intervenes in currency markets to hold down the value of the yuan. The undervaluation of the Chinese yuan has contributed to the U.S. trade deficit with China and has hurt U.S. manufacturing. This is so because an undervalued yuan makes Chinese manufactured goods cheaper in the United States, while making U.S. manufactured goods more expensive in China. Undervaluation also encourages U.S. companies to move production from here to China and ship goods back to the United States.

As harmful to American interests, China disregards the workplace and environmental safeguards that we consider standard. China also steals strategic technology and ignores patents, trademarks, and copyrights.

All together, these actions represent a startling offensive against the American economy and way of life.

U.S. Trade Imbalance with China (2000–2010)



Source: US Census

By allowing its domestic needs to be met by counterfeit goods, and depending on innovators in America and elsewhere to share the latest technology in exchange for market access, China costs the global intellectual property industry hundreds of billions of dollars in sales.

China's recent public battle with Google reveals its preference for censorship. But less well-known policies may be even more destructive, including its use of opaque approval processes to dictate terms with foreign businesses, its reliance on State Secrets Laws to protect competitive and commercial positions, and its pursuit of "indigenous innovation" policies. Through these innovation policies, China's government is openly pursuing the goal of increasing production within its borders of higher value-added goods—computers, semiconductors, green technologies, for example—and increasing exports of these products. If it succeeds, the indigenous innovation policy will require U.S. and other foreign companies to transfer technologies and patents to China to have access to China's procurement market. In addition, China has begun restricting the exports of rare earth elements, which are crucial in producing new high-tech products. The Chinese government also retaliates effectively against U.S. corporations who object to forced technology transfers and other policies favoring Chinese companies, effectively co-opting and muzzling many of our largest multinationals.

All together, these actions represent a startling offensive against the American economy and way of life. Yet our government has failed to recognize China's economic challenge or take the necessary steps to counter it. We lack a comprehensive, integrated approach to China's commercial policies. In our government, everyone knows just his or her piece of the elephant; few to none understand how China's commercial policies, business practices, economic and industrial structures, legal system and military services relate to one another.

In the absence of an integrated approach to these challenges, our government often has allowed multinational corporations (M.N.C.s) to play a key role in setting the trade agenda with China, and they operate first in their own best interest: they might look the other way when China violates trade agreements or even discourage U.S. government action against China for fear of retaliation. The U.S.T.R. is the government body responsible for taking legal action against other nations' trade violations, but its budget and staff are limited. Often, the interests of small and medium-sized businesses, which lack the clout to challenge Chinese actions or the policy preferences of the M.N.C.s, are compromised.

The U.S. economy as a whole, which has no single voice in government to advocate for itself, will continue its decline unless our leaders in Washington take immediate action to take on Chinese economic practices. →

In our government, everyone knows just his or her piece of the elephant; few to none understand how China's commercial policies, business practices, economic and industrial structures, legal system and military services relate to one another.

IMMEDIATE ACTIONS

Create an independent body within the White House focused on American competitiveness.

A transparent office dedicated to gathering independent intelligence on our trade competitiveness would improve our economic standing. This body would closely monitor China but would not focus solely on it. Rather, it would make sure government agencies share relevant information about trade partners' commercial, business, and industrial practices, and offer guidance to small and medium-sized enterprises. It also could help our government formulate a smart manufacturing strategy and would make U.S. competitiveness in trade a high priority. In particular, it would align trade and tax policies so that private sector incentives matched the public interest.

Pursue a variety of initiatives aimed at countering China's theft of intellectual property rights, restrictions on the export of rare-earth minerals, abuse of its centralized approval authority, and indigenous innovation policies.

Our government must be willing to challenge and mitigate the disastrous effects of Chinese economic policies on American manufacturing and trade. This should start with a clearer focus from the White House, guided by the independent body recommended above and directed at all federal agencies. Initiatives should include bringing cases in the W.T.O., imposing tariffs when necessary, and requiring rigorous reviews of China's planned investments in American ports, high technology, markets, natural resources, telecommunications, and transportation industry.

LONG-TERM RECOMMENDATIONS

Take action to address China's illegal exchange rate practices.

China's currency manipulation violates its international obligations to both the World Trade Organization and the International Monetary Fund, and the U.S. government should file a case in the W.T.O. to counter them. In addition, the Department of Commerce should forcefully oppose currency undervaluation or Congress should promptly pass legislation that makes deliberately undervalued currency an illegal export subsidy. These steps would allow U.S. companies to seek higher tariffs on goods coming from China. Finally, should China's official designation as a non-market economy expire in 2016, as some may argue will be the case under the terms of China's Protocol of Accession to the W.T.O., Congress must assert itself in any decision regarding China's official trade status.

Impose tariffs and bring a series of W.T.O. actions against China to address systemic practices that harm the United States.

Our country should bring cases against China that target the underpinnings of China's so-called competitive advantage: its subsidies, the provision to its State-Owned Enterprises of low-cost capital, its approval authority, theft of intellectual property, forced technology transfers, lack of transparency, restrictions on Internet freedom, and state secrets. Treasury Secretary Geithner affirmed this view in January when he told a Washington audience that "we are actively using the remedies available under U.S. and international trade laws to protect our interests." A new bureau within the Justice Department responsible for enforcing trade laws, as recommended above, should take these actions, including imposing tariffs when necessary. ■

INFRASTRUCTURE CRISIS

4

“Fear about the reliability of our energy, water and transportation systems is deterring investment in some parts of the country, interfering with new business investment and job creation.”

After years of under-investing in public infrastructure, America faces an infrastructure deficit of three trillion dollars that is impeding economic growth and undermining our economy's efficiency.

A variety of infrastructure bottlenecks—traffic-choked roads, clogged-up ports, an antiquated air transportation system, and an unreliable electrical grid—are costing our economy billions in lost income and growth. Freight bottlenecks, for example, cost the American economy \$200 billion a year—the equivalent of more than 1.5 percent of G.D.P., while air traffic delays cost us nine billion dollars annually.

A one trillion dollar investment in new infrastructure spending annually over the next five years would create enough jobs to put the economy back onto the path of full employment.

Even the infrastructure necessary for information technology is lagging: the United States now ranks 16th in the world in broadband penetration, while the relative cost of it to Americans is rising. As well, fear about the reliability of our energy, water and transportation systems is deterring investment in some parts of the country, interfering with new business investment and job creation.

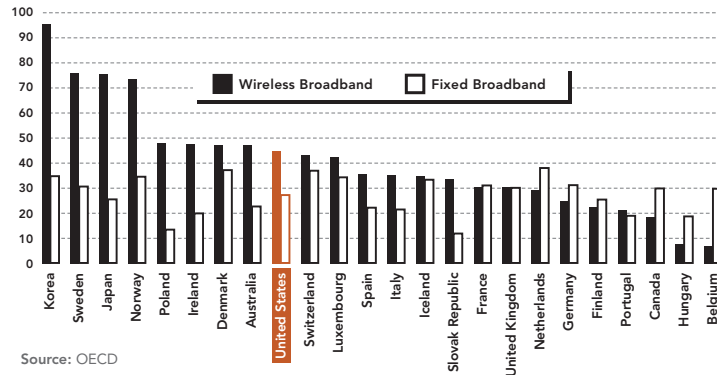
We need to spend \$2.2 trillion over the next five years to meet America's core infrastructure needs, according to the American Society of Civil Engineers. But actual spending plans fall far short, to less than half the

America faces an infrastructure deficit of three trillion dollars that is impeding economic growth and undermining our economy's efficiency.

necessary amount. A broad range of vital systems—roads, bridges, drinking water, rail and inland waterways, energy, and more—will suffer a \$1.8 trillion shortfall in necessary infrastructure repairs.

These projected infrastructure cuts come at a time when more than 22 million workers need jobs. To keep pace with a labor force that is growing by 150,000 per month, and to reduce the staggering jobs deficit to one that resembles full employment, the economy needs to find more than 30 million jobs over the next five years—or about 500,000 jobs a month.

Broadband Penetration (per 100 inhabitants)



Source: OECD

Our nation needs long-term investments in infrastructure to create jobs, spark private investment, stimulate the economy, and trigger growth in other economic sectors.

Such investments must be at the center of any program to generate a healthy economic recovery. Infrastructure projects are usually labor intensive and local, creating jobs for the very people most in need of work—namely, those who have been laid off from the housing crash and those with just a high school education. Investing in infrastructure also generates a healthy multiplier effect throughout the economy, creating jobs indirectly in other economic sectors: according to the C.B.O., every dollar of infrastructure spending generates an estimated \$1.60 increase in G.D.P. Some critical transportation and energy projects may have even larger multiplier effects; one study concludes that each one billion dollars of spending on infrastructure can generate up to 40,000 jobs, directly and indirectly. At this rate, a one trillion dollar investment in new infrastructure spending annually over the next five years would create enough jobs to put the economy back onto the path of full employment.

Freight bottlenecks, for example, cost the American economy \$200 billion a year—the equivalent of more than 1.5 percent of G.D.P.

Infrastructure investment is crucial for other reasons as well. Private businesses, which often partner with the public organizations responsible for infrastructure repairs, benefit from lower transportation and energy costs and relief from costly bottlenecks. And new growth sectors in the economy, particularly in energy, agriculture, and clean technology, require major infrastructure improvements to develop and keep pace with competitors. →

IMMEDIATE ACTIONS

Create a National Infrastructure Bank.

The Administration and Congress should move to establish a levered national infrastructure bank like the one proposed by Senator John Kerry and Congresswoman Rosa DeLauro. The infrastructure bank should be an independent financial institution owned by the government rather than an arm of an existing agency. Able to fund a broad range of infrastructure projects beyond roads, rails, and runways, it could make loans and loan guarantees and leverage private capital. It should be able to sell or issue general purpose bonds to raise funds for lending and investment, sell specific project bonds when necessary, and invite private investment along with state and local government contributions. The bank, consistent with an AAA credit rating, should be able to help finance up to ten dollars of infrastructure investment for each dollar of equity capitalization. The nation's many large public pension plans should have a strong interest in providing much of the levered funds.

LONG-TERM RECOMMENDATIONS

Create a White House Office of Infrastructure Investment.

The Administration needs to coordinate the appropriate federal agencies and work with the Treasury, Congress, and state and local governments to insure access to funding. The program would leverage the private capital markets by ensuring the functioning of the municipal bond market and using the Treasury's borrowing powers. True to the public-private partnership model, private companies would carry out most projects using the competitive bid process.

Initiate federal guarantees for municipal bonds for infrastructure projects.

Some state and local governments may question their ability to issue municipal bonds if their local fiscal crises worsen. To be sure the municipal bond market runs smoothly, the Administration should seek Treasury authorization to provide federal guarantees to state and local governments when necessary to finance infrastructure projects. Federal guarantees would help lower the cost of borrowing for state and local governments and thus help prevent a disruption in infrastructure investment. Eventually, this function could be assumed by a national infrastructure bank.

Recreate the Build America Bonds program.

Before it expired at the close of 2010, this program issued \$181 billion in taxable municipal bonds used by states and cities for infrastructure improvements. Its success suggests that Build America Bonds ought to be renewed. ■

JOBS IN THE GREEN ECONOMY

5

“We have a plentiful supply of able-bodied workers—carpenters, truck drivers, construction managers—who can do the work these next-generation jobs demands.”

We have come to believe, collectively, that our national dependence on high-polluting and limited fuel sources from unstable foreign regimes is unsustainable. Reducing dependency on fossil fuels has become a global imperative, stirring demand for new, non-polluting and energy-efficient ways to live. As with most innovations, whoever gets there first tends to dominate the market, and America is not out front. Leaders in Congress and the White House must do more to encourage growth in this industry.

Green jobs are those that preserve and protect the environment. The major areas of green development, according to the Center for American Progress, are wind and solar power, fuel-efficient cars, mass transportation, fuels made from plants, and building retrofitting, or renovating energy-inefficient older buildings into cleaner ones.

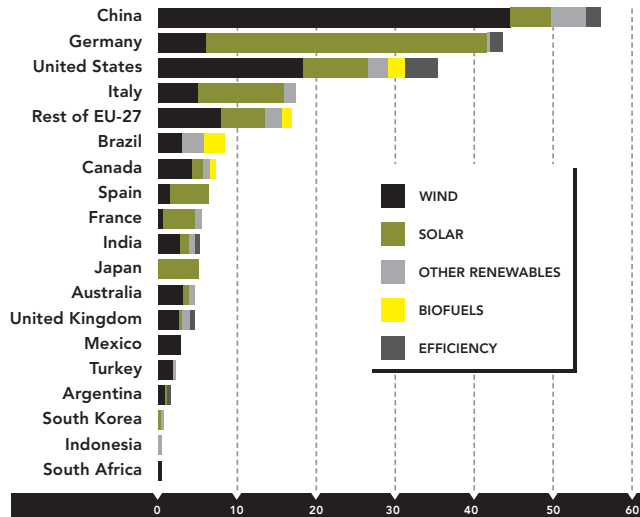
We lack a comprehensive policy on clean energy and economic development.

High-skilled labor is required for this kind of work, and many in our country who have lost traditional manufacturing jobs have the necessary skills to do these. Machinists and metal workers, for example, can build wind farms, while roofers and insulators can turn old buildings into green ones. We have a plentiful supply of able-bodied workers—carpenters, truck drivers, construction managers—who can do the work these next-generation jobs demands. According to Booz Allen, green projects will create eight million jobs by 2013; the Global Climate Network puts that number at 20 million by 2030.

We ignore the need to manufacture renewable energy components here in the United States.

Green jobs alone will not rescue the nation's manufacturing sector; with a total U.S. workforce of 154 million—30 million of whom are out of work—green jobs employ less than a million workers in the United States. Yet our nation can do more to promote the innovation that will lead to higher employment and reduce our ballooning trade deficit. We lack a comprehensive policy on clean

Investment By Country & Sector, 2010 (Billions of Dollars)



Source: Pew Environment Group

energy and economic development. We fail to offer clean energy companies tax incentives to build in America. We ignore the need to manufacture renewable energy components here in the United States.

Our major trading partners have done just the opposite, taking decisive steps to develop their green industries. Germany offers targeted subsidies to improve energy-efficient manufacturing. The Japanese government provides \$3.5 billion annually for green R & D and industrial development. China especially seeks domination of this market, by prohibiting the import of American and other nations' green components, and requiring domestic manufacturing of all green products. Compared to America's \$80 billion stimulus for green investment in 2009, the Chinese government invested \$217 billion—or \$440 billion when so-called private investments are included. Our nation will continue to lose jobs and our ability to innovate unless we change course.

Bolstering this segment of our economy will not eliminate unemployment, but it will put people to work in manufacturing jobs that have the greatest multiplier effect—and will thus stimulate more economic growth. →

IMMEDIATE ACTIONS

Extend the Cash Grant Program for renewable energy production.

This program converts non-refundable tax credits for renewable energy production into cash grants. Previously, renewable energy companies were able to take advantage of the tax credit, even if they had no tax appetite, by entering into tax equity partnerships with entities like financial institutions. Because the financial crisis has shrunk the tax equity market, renewable energy companies are denied the tax credit advantage and have seen their business models suffer as a result. Extending the 1603 program until the tax equity market recovers will help create jobs and avoid further job loss in the industry.

Lengthen the Advanced Manufacturing Tax Credit (Section 48c).

The American Recovery and Reinvestment Act (ARRA) authorized up to \$2.3 billion in tax credits for investments in qualified advanced energy projects at manufacturing facilities, such as energy storage, electricity transmission, energy conservation technologies, and others. Extending the credit will prompt further investments.

Expand the Title 17 Loan Guarantee Program.

Title 17 of the Energy Policy Act of 2005 provides federal loan guarantees for the construction of energy-related facilities that use “new or significantly improved technologies” that are “non-commercial” and have high technological risk. These guarantees significantly lower the cost of capital for these projects. Broadening Title 17 to include energy-efficiency investments could help spur this market and create new jobs in commercial and industrial building, and even aggregate small-scale investments in residential energy efficiency.

LONG-TERM RECOMMENDATIONS

Find ways to speed the approval process for green manufacturing.

Today, companies seeking to build new wind or solar operations are required to submit environmental impact statements that can take longer than a year to be approved. Consistent with its interest in identifying overly burdensome bureaucratic regulations, the Administration needs to take steps to expedite this onerous process. ■

YOUTH UNEMPLOYMENT 6

“Among those college graduates who do have jobs, less than half of them are employed in jobs that require a college degree.”

Millions of American teenagers and young adults are in the middle of a vast and far-reaching unemployment crisis.

Almost 25 percent of teenagers from 16 to 19 are officially unemployed. For young adults aged 20 to 24, unemployment is nearly 16 percent—a number not seen since 1948. For African-American and Hispanic teens in particular, unemployment is that much worse: among African-Americans, 46.5 percent of teenagers and 23 percent of young adults are jobless; among Hispanics, 30 percent of teenagers and 19 percent of young adults are out of work. Missing from these numbers are the many young people who are discouraged workers—the almost 1.7 million who want to work but have given up looking and are now outside the labor market.

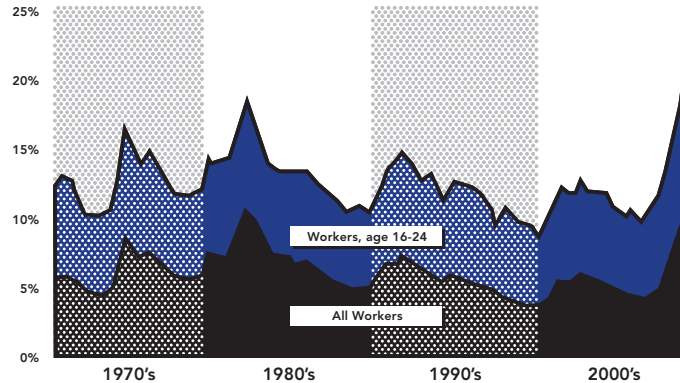
Summer employment numbers are just as stark. Fewer than 25 percent of 16 to 19-year-olds had jobs in July 2010 versus the more than 44 percent of this age group who were employed just

Young people who do not have a successful work experience by age 25 are at a greatly increased risk of lifelong poverty.

ten years before. In the summer of 2010, less than half of all 16 to 24-year-olds were employed, though summer months are peak employment periods for this demographic. In 1989, for example, nearly 70 percent of 16 to 24-year-olds had summer jobs.

College graduates are also in trouble. Unemployment for college graduates under the age of 25 rose from 3.7 percent in April 2007, to 6.8 percent a year later, to eight percent in April 2010. Even among those college graduates who do have jobs, less

Unemployment rates of young adults and the total population (1971–present)



Source: Bureau of Labor Statistics

than half of them are employed in jobs that require a college degree. The trickledown effect is devastating: the less-educated frequently are displaced by their college-educated peers, exacerbating the unemployment crisis of the least equipped.

Perhaps most worrisome of all is the daunting explosion in numbers of young people without school or work. More than five million American teens and young adults fall into this category of “disconnected youth.” That total consists of about 1.5 million young people without a high school diploma or basic skills; almost two million with a high school diploma or its equivalent but without real skills, work experience or a college connection; and an estimated 1.5 million college graduates without employment opportunities, but with plenty of educational debt. Our society will always include some who live outside the margins. But economists suggest that

For young adults aged 20 to 24, unemployment is nearly 16 percent—a number not seen since 1948.

the dismal economy has generated at least two million more disconnected youth than would develop in prosperous times.

Young adults carry a disproportionate burden of joblessness and can be affected by unemployment in lasting and profoundly different ways than older adults. Many of the more than five million disconnected youth, for example, are at risk of becoming permanently disengaged from the labor market: young people who do not have a successful work experience by age 25 are at a greatly increased risk of lifelong poverty. College graduates who have to settle for low-skill, low-paying jobs earn about 30 to 40 percent less, on average, than they would if a college degree were required. And economists report that an entire generation of young people may never fully recover from this lag: when new entrants to the workforce get jobs during tough economic times, they are likely to hold on to depressed wages throughout their careers.

Any society with large numbers of young people without jobs or options is unstable.

All Americans should be concerned about the spike in youth unemployment, because we all bear the costs. Millions of young people who lag in education and work skills fail to earn enough to provide for themselves and their own young children. The young and unemployed are much more likely to end up in the criminal justice system, where annual incarceration costs run in the tens of thousands of dollars. And when the able-bodied can work, the economic benefits and fiscal savings include tax revenues in the tens of thousands of dollars per person, as well as increased economic productivity. This is especially important as Baby Boomers begin to retire and our economic dependence on the young grows.

Any society with large numbers of young people without jobs or options is unstable: creating jobs and preparing young adults for the workforce must become a major priority, in the White House, in Congress, and in state capitols across the country. →

IMMEDIATE ACTIONS

Extend the Work Opportunity Tax Credit (W.O.T.C.) beyond August 2011.

This law provides small businesses with tax incentives to hire people who might ordinarily struggle to find work—those with few skills, ex-felons, and some veterans, for example. Congress expanded the tax credit in 2009 to include tax credits for hiring disconnected youth—those 16 to 24-year-olds without skills, school or jobs. Our ongoing national youth unemployment demands that this W.O.T.C. provision be extended well beyond August of this year. Concerns about W.O.T.C. being abused as a form of corporate welfare—that businesses can get a tax credit for hiring someone they would have employed regardless—can be offset by tying this tax credit to the Workforce Investment Act (W.I.A.). Workforce Investment Boards, which receive grants from the W.I.A., could oversee how credits and subsidies are used and might be able to offer credits to employers that partner with them in hiring young people.

LONG-TERM RECOMMENDATIONS

Integrate Community Colleges Into Workforce Development Efforts.

More than 10 million students already attend hundreds of public and independent community colleges around the country. These institutions are ideal places to educate and train young people for work. Community colleges should be offered incentives to engage with local businesses and provide more classes that prepare young people for the jobs and opportunities in their local area. This kind of partnering with community colleges has been successful in Sweden, Germany and China. Connecting community colleges to workforce efforts will better serve young people in need of work.

Establish a Federal “Dignity Voucher” Program to Stimulate Demand for Low-Skilled Young Adults.

Modeled on the best practices of successful service voucher programs in Belgium, Finland, France, and Sweden, a Dignity Voucher program would offer formal work (i.e. tax-paying work) to the low-skilled labor force through hours spent providing non-medical personal assistance to elderly Americans in their homes. This effort would satisfy the demands of our aging population with an equivalent supply of low-skilled labor, and would capture large losses in tax revenues that disappear in the informal care “grey market.” Proposed by the New America Foundation, this voucher plan would provide some relief to the millions of family and other informal caregivers who sacrifice time and productivity in their own careers, and offer low-skilled individuals of all ages an opportunity to work.

Create a Stand-Alone Summer Jobs Program for In-School Youth.

The federal government has failed to authorize a summer youth program in more than ten years. Nevertheless, summer youth employment programs complement what’s taught in school and offer young people valuable work experience. When the economy has strengthened, Congress should consider enacting legislation to create a stand-alone summer jobs youth program at an authorized amount of \$1.5 billion. This would provide one million summer jobs for young people each year while also making available more resources to assist youth who are out of school. ■

CLOSING SUMMARY

“The legitimate fright of our fellow citizens who wonder if they will be able to make it in this economy under these conditions is palpable.”

George Orwell famously said, “To see what is in front of one’s nose needs a constant struggle.” Today, the economic struggles surrounding us are hiding in plain sight.

For all its promise, globalization is grievously hurting this country. The playing field on which we compete is tilted in favor of those countries that subsidize their industries, ignore international treaty obligations, and treat the global marketplace like one front in a larger war for international supremacy.

Our own workers, men and women with the ability to manufacture the goods the world needs, have seen their opportunities disappear. As America depends on other countries to make the very products we used to build here, our trade deficit grows. Adults with a college education grab up the jobs that remain, and American teenagers and young adults without adequate educations cross deeper into our nation’s shadows. All the while, what was once a gap between our wealthiest and most impoverished has grown into a chasm, the greatest ever.

Americans are wondering how they will pay the mortgage, get their kids through school, and afford the doctor whose rates just went up. The legitimate fright of our fellow citizens who wonder if they will be able to make it in this economy under these conditions is palpable.

“We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence,” President Roosevelt told the nation in his last State of the Union address, before announcing an economic bill of rights that is as germane today as when he advanced it. He warned then that, “People who are hungry and out of a job are the stuff of which dictatorships are made.”

Our leaders today need to heed Mr. Roosevelt’s words and reverse the dark trends that seem to propel our nation towards further decline. Focus on jobs. Repair our manufacturing sector. Make global trade fair for all. Fix our bridges, roads and railroads. Make America the genesis of innovation, green and otherwise. Put young people to work.

Engage in that struggle and set things right. ■
