

SECTION 1 • INTRODUCTION

Strengthening the American people

In this May 23, 2013 photo, first grade teacher Lisa Cabrera-Terry works on a writing exercise with some of her students at Jay W. Jeffers Elementary School, in Las Vegas.

AP PHOTO/GREGORY BULL



In our personal ambitions we are individualists. But in our seeking for economic and political progress as a nation, we all go up, or else we all go down, as one people.

President Franklin Delano Roosevelt, second Inaugural Address, 1937¹

The first step in building anything well is to use good materials, and the most important materials in constructing a strong economy are people. For an economy to thrive, the people who work in it need to be healthy and strong and operating at the height of their capabilities. In other words, America's roughly 300 million people need to be 300 million engines of growth in order for us to compete in the 21st century economy.

Education is key. Keen minds must be sharpened so they can devise, invent, and innovate. Skills must be developed and knowledge acquired so we are all effective and efficient at our jobs, valued in the international labor market, able to attract good pay, and able to contribute to national productivity and production. Skills and knowledge enhance value in the economy and make it stronger, which benefits everyone in the form of greater national income and better jobs.

When people are living in or near poverty, it takes a huge economic toll, as well as a human one. People in poverty can't afford to invest in their skills, they are more likely to have health problems that limit their ability to work, and they obviously cannot provide a reliable customer base for the nation's products. Children growing up in deprivation are far less likely to advance in their education and achieve later in life. So, while we call out some specific antipoverty measures later in this section, every policy that helps strengthen our people, from pre-K enrollment to union membership to immigration reform, is an antipoverty policy.

To contribute to the economy, middle-class families must be secure families. A family that is too financially insecure to take risks is a family with breadwinners who can't take action to do what's best for them and the economy as a whole. They can't risk changing jobs to ones where their talents might be put to better use or moving to a different state where there are better opportunities, taking the time to improve their skills, or

taking the risk of starting their own business. The Wright Brothers could tinker with airplanes because they had a bicycle shop to support themselves. Bill Gates could choose the less-safe course of founding Microsoft because his next meal did not depend on his next paycheck.

The income, assets, and economic security of the middle class are also important because they provide a steady source of consumer demand in the economy. The bellwether of the greatest period of U.S. economic growth was a reliably growing and expanding middle class—one with growing income and assets and with the economic security to allow for sustained and widespread increases in the standard of living. Businesses could make investments and hire new employees with the confidence that whatever the short-term ups and downs, there was a growing customer base with the means to provide them with revenue. That market is also what put U.S. corporations at the leading edge of consumer trends and knowing how to satisfy consumer demand. The competition for American consumer dollars has driven innovation that has made U.S. corporations worldwide market leaders.

Stable middle-class families also build stable communities that invest in education, that are protected from the high costs of crime, and that are the building blocks of our national economic community. For all of these things to happen, Americans need good jobs, health care, and confidence that their retirement will be secure.



In this Apr. 22, 2011 photo, High Plains Elementary School teacher Jennifer Williford, center, works with Colette Jackson, 11, and Skyler Matteson, 10, right, on a computer project in her fifth grade class at the school in Englewood.
AP PHOTO/ED ANDRIESKI

Immigrants, too, are among our 300 million engines of growth. They come here to work and contribute their labor, energy, and creativity, and they have always been an important part of America's economic success. For them to fully contribute, they must have legal status and a pathway that permits success even as we ensure that they play by the same rules as everyone else.

To strengthen America's 300 million engines of growth, we propose policies to:

- **Make the United States first in education:** We should improve educational

attainment by reforming and investing in education, from pre-K to job training and higher education. At the primary and secondary level, we propose enhanced, targeted federal funding to leverage greater access to early childhood education, improved classroom teaching, the discovery and adoption of best education practices, and adequate resources for all schools. At the postsecondary level, we should harness the consumer power of better-informed students and their families to demand improved, relevant, and cost-effective services and create more flexible paths to a college degree or credential.



In this Jul. 3, 2012 photo, OUR MicroLending specialist Alfonso Benavides, left, says good-bye to Josefina Urbina at her business, J'S Multiservices in Miami.
AP PHOTO/WILFREDO LEE

- **Raise workplace standards:** We must ensure that more jobs are high-quality jobs that strengthen and grow the middle class and bring more people into the economic mainstream by requiring paid leave and sick days, offering better protections in the event of layoffs, legislating a higher minimum wage, creating better forms of retirement savings, and protecting the right of workers to join unions.
- **Realize the potential of immigration:** It is well established that as the U.S. population ages, the share of workers in the economy is declining. Yet we also raise barriers against millions of aspiring Americans who desperately want to work here. We propose policies to create a path to citizenship for the 11 million undocumented immigrants now living in the economic shadows and to build an immigration system that attracts talent for competing in the global economy. ■

The connection between human capital and economic growth

A vast literature has studied the role of investment in people—what economists call investment in human capital—in promoting economic growth. The overall conclusion from this body of work is that investment in the education, training, and health of people has a critical impact on economic growth.

When investment in human capital is strong, labor productivity or output per person increases, which contributes to faster economic growth. The workforce is more skilled and flexible and thus better able to adjust to changing technologies, which leads to lower levels of unemployment and less economic inefficiency. Greater investments in people lead to higher wages and higher lifetime earnings, which promote a higher quality of life. With a more skilled and knowledgeable workforce, innovation and invention are enhanced, leading to entrepreneurial dynamism and greater long-term growth. Higher levels of human capital also lead to greater civic involvement and participation in the political system.

Studies find that differences in the levels of human capital among nations explain a large part of the differences in national economic-growth rates. Research by Gregory Mankiw, David Romer, and David Weil, for example, suggests that human capital accounts for two-thirds of economic growth.²

Endnotes

1 Franklin D. Roosevelt, "Second Inaugural Address," available at <http://www.bartleby.com/124/pres50.html> (last accessed May 2013).

2 N. Gregory Mankiw, David Romer, and David Weil, "A Contribution to the Empirics of Economic Growth," *The Quarterly Journal of Economics* 107 (2) (1992): 407–437.