


SECTION 2 · INTRODUCTION

Strengthening the economic environment



In this Mar. 18, 2009 photo, workmen continue construction on a bridge over the Miami River in Dayton, Ohio.

AP PHOTO/MARK DUNCAN, FILE



“ Our real problem, then, is not our strength today; it is rather the vital necessity of action today to ensure our strength tomorrow.

President Dwight D. Eisenhower, State of the Union address, 1958'

The policies described so far in this report will equip Americans to produce economic growth and compete in the world economy. Better education and training means that businesses will have available to them more capable workers, which will attract more jobs to the United States and make our businesses more innovative and more productive—which in turn means stronger growth overall.

More security for middle-class families will mean more stable domestic demand and thus increased incentive for companies to invest in design and production close to the source of this demand—which also means more jobs and growth. And those stable middle-class families will have greater flexibility to take risks such as starting a new business, taking time for more education, or switching to a better-fitting job—another important contributor to growth and jobs.

But even a car with a superior engine needs good roads to drive on. What we haven't addressed yet is the market environment in which our 300 million engines of growth operate. After all, we can educate and train ourselves to be the most productive workers in the world but still underperform as an economy if our tax system creates incentives to move jobs overseas; if our country neglects the basic research that underpins innovation; if the playing field for international trade is tilted against us; if we cede the industries of the future to other countries; if existing industries fall behind because we ignore market failures; if our transportation system is crumbling; and if our energy is dirty and expensive and the supply unsustainable.

In this section, we describe what government can do with businesses to create an economic environment that utilizes all of our superior resources at a sustainable, high-functioning level. We offer proposals for actions the government should take in the context of an economy where the private sector takes the lead in capital allocation, risk-taking, innovation, and business efficiency.

We identify in this part of this report where and how government should be interacting with the private sector to promote good jobs and growth. Many of the proposals here are in the rich tradition of the Erie Canal, aerospace, pharmaceuticals, and the internet—endeavors in which government engagement and the legal and regulatory framework that government provides have been critical to the nation's economic success.

Our proposals vary in depth and detail according to their importance to the economy, the need for reform, and the current status of government involvement. So, for example, health care comprises 18 percent of GDP,² but because the Affordable Care Act – whose successful implementation is critical to individual Americans and to our economy – is still being phased in we narrow our focus to the selected cost-containment measures described in the tax reform and the federal budget section.³ On the other hand, housing, energy, trade, and infrastructure present large, unaddressed challenges, so we offer proposals for these areas in greater detail.

Our discussion of creating the economic environment for growth focuses on policies to:

- **Create the mechanisms for an adaptive national economic strategy:** Economic policies must be evaluated continuously to see if they are working as intended and whether they are responsive to a changing economy and the actions of other countries. To this end, we offer a plan for revamping critical parts of the federal government's economic-policy-making



The Illinois Department of Agriculture Building roof, which was transformed into a 22,000-square-foot roof covered with live plants and solar panels, was part of a \$1.8 million project to replace the old, badly leaking roof with an energy-efficient and environmentally friendly installation.

AP PHOTO/SETH PERLMAN

apparatus. With more useful data, this apparatus will evaluate the interventions government is making and will better inform investments to ensure that emerging industries gain strong footholds in the United States and that older industries successfully adapt to evolving economic conditions.

- **Lead in clean and efficient energy:** The energy industry must evolve. Other countries have recognized this reality and are taking action, and the ones that transform to cleaner sources of energy that are used more efficiently will have a huge economic advantage in the future. With this transformation comes growth and

jobs. For all these reasons clean, efficient energy is part of our agenda.

- **Promote science and technology research and development:** If the United States leads the world in science, it will be here where new technologies develop, where the ideas emerge for the commercial use of that research, where the corporations that profit from that commercialization are located, where those profits fuel greater prosperity, and where many of the people in those industries are employed. We therefore offer a set of policies to ensure that the United States leads the world in scientific and technological research.

- **Balance trade:** Though it would be unwise to promote policies that shelter U.S. industries and workers from beneficial competition, a number of trading rules and practices expose U.S. producers to unfair competition. We offer a set of policies to ensure proper enforcement of international- and domestic-trade laws and norms.
- **Rebuild our infrastructure:** Railroads, the power grid, airports, and highways are critical to economic efficiency, whereas bad roads and bridges cost the economy billions. The growth of a company in Ohio or Virginia will be held back without the means to efficiently transport its goods across the country or overseas, resulting in less business and fewer workers. This is why we offer a suite of policies to fix the nation's increasingly dilapidated infrastructure.
- **Restore the housing cornerstone:** Housing sits at a critical intersection of many other areas of the economy. The financial industry backs construction and purchases, the construction industry builds the buildings, and U.S. manufacturers produce much of what goes into them. Homeownership can provide families with stability, as well as the ability to build equity, and for all families—whether they own or rent—shelter that is safe and affordable is a prerequisite for well-being. For these reasons, we offer a set of policies to support the housing market in offering a range of affordable and sustainable homes located in stable, healthy neighborhoods.
- **Ensure capital is available for growth:** The allocation of capital so it produces real economic investment and good jobs is central to a strong economy. Many of the rules and regulations of the Dodd-Frank Act have yet to be fully implemented, but there are selected policies that we believe should be considered in addition to those steps.
- **Construct a responsible, pro-growth tax and budget policy:** Government is a major player in the economy, so it's important that the means government uses to raise revenue and the way it uses those tax dollars are economically sensible and efficient. That's why we offer recommendations for reforming the way government taxes and spends its resources. ■

Endnotes

- 1 Dwight D. Eisenhower, "Annual Message to the Congress on the State of the Union" (Abilene, Kansas: Eisenhower Presidential Library and Museum, 1958), available at http://www.eisenhower.archives.gov/all_about_ike/speeches/1958_state_of_the_union.pdf.
- 2 Center for Sustainable Health Spending, "Insights from Monthly National Health Expenditure Estimates Through December 2012" (2012), available at http://www.altarum.org/files/imce/CSHS-Spending-Brief_Feb%202013.pdf.
- 3 For further information on health care reforms, see Center for American Progress, "The Senior Protection Plan" (2012), available at <http://www.americanprogress.org/issues/healthcare/report/2012/11/13/44590/the-senior-protection-plan/>; Center for American Progress, "Cutting Health Care Costs" (2012), available at <http://www.americanprogress.org/issues/healthcare/news/2012/08/02/11970/cutting-health-care-costs/>.