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Investing In America
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If you believe the numbers trumpeted by the Bush administration, the economy appears very healthy. Unemployment is under five percent and nominal wages have risen. Economic and productivity growth appear strong, and industrial production and profits have been robust. Yet, polls show that an overwhelming majority of Americans disapproves of Bush's handling of the economy. The reason: Beneath the optimistic figures is a disturbing story of increased middle-class insecurity, growing economic inequality, huge, chronic trade deficits and eroding manufacturing competitiveness. But, despite the public's pessimism about the GOP's ability to fix these problems, it is not clear that the Democrats can do better—unless they are willing to embrace an aggressive policy that prioritizes targeted public investments.

Only a strategy that couples major shifts in national and international economic policies with investments in the nation's industrial and public infrastructures can restore U.S. competitiveness. Of course, we need measures that level the playing field for U.S. businesses and workers in the global economy. The U.S. government must be far more aggressive in pressuring trade competitors like China to end practices—currency manipulations, labor rights violations and intellectual property theft—that give their own producers unfair advantage in producing and selling their goods around the world. We should relieve U.S. businesses of the burden of increasingly expensive employee health care and retirement obligations that put them at a disadvantage with foreign firms whose governments subsidize health and pension coverage for workers. At the same time, workers need guaranteed access to both kinds of coverage regardless of where they work or their employment situation.

But how much can improvements in the currency situation offset the huge differences in labor and other costs enjoyed by China and other low-cost developing nations? How long can we allow our manufacturing industries to deteriorate before it becomes too costly to rebuild them, even if our terms of trade improve? This is why, in addition to measures that level the playing field between the U.S. and other nations, we also need a national investment strategy aimed at strengthening industrial and innovation capabilities.

Toward this end, progressive leaders should draw on the familiar list of proposals in support of manufacturing modernization and innovation, some of which attract support across the political spectrum. These include expanding the federal commitment to science and technology research and development, permanently extending the R&D tax credit, federal support for deploying broadband Internet and mobile communications nationwide and helping small business innovation, including ramping up funds for the Manufacturing Extension Partnership which provides technical assistances to small manufacturers.

Wide support exists for investments in education and workforce development to meet the needs of a modern manufacturing base. Helping unemployed workers must remain a federal priority, but greater resources must be devoted to improving skills and job opportunities for incumbent workers. Innovative workforce programs such as regional skills alliances, joint labor-management training partnerships, and industry skill standards also need support, as does strengthening worker adjustment programs that help workers hurt by trade impacts, plant closings and mass layoffs, to make the transition to family-supporting jobs.

Yet, while training workers to improve their chances in the modern global economy is necessary, it's not sufficient. When millions of workers have been laid off—even from many high-end technical jobs—as a result of offshoring, the question arises: What are we training people for? Moreover, it is unrealistic to assume that somewhere around the corner a new wave of technological advances will provide the kinds of opportunities for U.S. businesses and workers that past technological revolutions have created.

One way out of this dilemma is to mobilize our still substantial financial, industrial, entrepreneurial and human resources to achieve vital national goals. Since World War II much of our most advanced industrial and technological capacity has been geared towards national security. Specialized military requirements often limit commercial spin-off from defense technologies and huge defense budgets have diverted resources from important civilian uses. Nevertheless, the enormous investments the nation has made in defense, science and technology, procurement of everything from advanced aircraft and satellites to bullets and toilet paper and educating and training a large, highly skilled workforce, have stimulated significant technical innovation and economic growth.

Today, the nation is confronted with other critical challenges to its economic well-being and security; specifically, the need to reduce our dependence on foreign sources of energy and to slow global warming. The government should channel resources toward both addressing these issues and creating jobs. Such a program could provide a powerful stimulus—perhaps greater than national defense—in fostering economic growth and revitalizing manufacturing. Investment in research, development and deployment of new energy-efficient, low-carbon technologies could be applied to every sector of our economy. From transportation, electricity generation and industrial processes to residential heating, such investment could drive new U.S. industrial growth, technological innovation and job creation on a large scale. With the right policies, there is an opportunity to spur the rebirth of the U.S. manufacturing sector as a world leader in producing and exporting advanced energy and environmental technologies. In addition, there are the incalculable benefits to our national well-being that would result from the reduced dependency on foreign energy sources and mitigation of climate change.

None of the policies mentioned above are sufficient by themselves to reverse the U.S.'s trade deficit and restore its manufacturing competitiveness. Taken together, joining policies aimed at leveling the playing field in global markets to targeted investments in domestic, industrial and workforce development and addressing critical national needs, could finally move the United States down the right path.

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