Main Messages

Government policies can foster strong economic growth while also ensuring that the economy leaves no one behind.

Improvements in the nation’s infrastructure will boost economic growth in the short term and lay the foundation for higher productivity over the longer term.

The United States needs stronger policies to counter systemic barriers that perpetuate gender- and race-based disparities in pay and employment.

Government can do more to encourage employers to recruit and hire people who are at greater risk of hunger and food insecurity, such as people who were formerly incarcerated and youth who are disconnected from school and work.

Government can strengthen policies that support properly functioning markets while also investing in human capital, protecting the environment, and improving the nation’s immigration system.
The Importance of a Strong Economy

Ending hunger in the United States requires a strong economy. Economic growth is necessary to create new jobs, and people need jobs to be liberated from hunger and poverty.

U.S. hunger and poverty rates surged when the economy and job market shrank after the financial crisis of 2008. Gradually, hunger and poverty rates declined as the recovery took hold. Tens of millions of families continue to rely on government nutrition programs, reflecting how uneven the recovery has been. In 2016, seven years into the recovery, the number of people on SNAP averaged more than 44 million. SNAP is a countercyclical government assistance program, meaning it expands when the number of income-eligible households increases, and then contracts as the economy improves and the number of eligible households decreases.

The long slump, often called the Great Recession, was a dramatic demonstration of the importance of general economic prosperity. While economic growth is necessary for progress against hunger and poverty, by itself it is not sufficient to end hunger and poverty. The U.S. economy has more than doubled in size over the past 35 years, yet the incomes of most workers when adjusted for inflation have scarcely risen at all.

Spurring Economic Growth: Monetary and Fiscal Policy

The federal government has some influence over economic growth through monetary and fiscal policy. Monetary policy involves management of the money supply and interest rates. The Federal Reserve, the nation’s central bank, is the arm of the federal government that sets monetary policy. Fiscal policy refers to management of government taxation and spending. The president and Congress determine fiscal policy.

The Federal Reserve has a dual mandate to promote maximum employment and low inflation, striking a balance by its ability to raise or lower interest rates. Low interest rates stimulate the economy and encourage businesses to hire new workers to meet the additional demand for goods and services. High interest rates slow the economy by raising the cost of borrowing. This results in businesses laying off workers or putting off hiring.

Fiscal policy modifies the levels of federal spending and taxation to stimulate the economy or avoid overheating the economy. The people or companies who benefit from a tax cut or government spending have more money to spend on other things, thus stimulating the economy. Historically, lower tax rates on the richest households have not resulted in faster economic growth. Since 1980, marginal tax rates on high income earners have been reduced, as have taxes on capital gains. Growth during this era has been slower compared to earlier postwar decades.

The sluggishness of the recovery from the Great Recession reflects both its severity and inconsistencies in the federal government’s response.

The American Recovery and Reinvestment Act of 2009 (ARRA), the fiscal stimulus package designed to stabilize the economy, delivered a short-term jolt that prevented the economy from sinking deeper into recession. ARRA injected nearly $800 billion into the economy between 2009 and 2011, much of it on poverty-reduction programs such as SNAP and unemployment insurance. One of the highest returns on investment came from spending on SNAP. Every additional dollar of SNAP spending generated $1.74 of economic activity, saving jobs while helping people who had lost theirs avoid hunger. Analysis by economists Alan Blinder and Mark Zandi found that the combined impact of fiscal and monetary policy efforts saved nearly 10 million jobs between 2009 and 2012.

Some ARRA provisions were extended beyond the initial two-year period, but the law was then allowed to expire. Congress was intent on curtailing federal spending even though unemployment was still high. States depend on federal funds for one-third of their total expenditures, so the lower federal spending also limited what states could do to help families living in poverty. Congress’ emphasis on budget cutting when...
the economy needed stimulus was one reason why economic recovery was painfully slow.

The Federal Reserve has tried to mitigate the impact of the recession through expansive monetary policy. The Fed set the interest rate that banks charge each other to borrow Federal Reserve funds—known as the federal funds rate—at near zero to spur economic recovery.5 Virtually all business and consumer loan rates move in the direction of the federal funds rate. It was unprecedented for the Fed to maintain such a low rate, reflecting how much support the economy has needed to begin growing again even after the recession’s official end.

The economy slowly improved, with the official unemployment rate down to 4.1 percent at the time of this writing.6 The Fed’s current policy is to gradually increase interest rates as the economy continues to improve. The Fed’s governors want to be able to stimulate recovery when the economy slumps again.

Since Congress is in charge of fiscal policy, there are many actions it can take to stimulate the economy, raise revenues, and support low-income families. It can lower taxes for the middle class and increase spending on programs that benefit low- and lower-middle-income people. It can strengthen the design and structure of refundable tax credits, such as the EITC, so that they do an even better job of increasing the incomes of low- and middle-income workers and also draw more people back into the labor market.

But at the time of this writing, Congress has just approved a big tax bill that directs more resources to the richest 1 percent of families and adds significantly to the budget deficit. The president and congressional leadership have signaled that cuts to programs for poor people may be made to help offset this deficit.

Congress could simplify tax rules in ways that help businesses without reducing government revenue. Small businesses have far fewer resources to hire specialized tax accountants to comply with tax law. Members of both political parties have advocated simplifying the tax code by eliminating special rules and loopholes that make filing taxes unnecessarily complex. But that’s not what the 2017 tax bill did.

Fiscal policy also includes decisions about government spending. The government should allocate resources in ways that will best promote the well-being and productivity of the entire population. In the following sections, we will discuss how investing now in upgrading the nation’s infrastructure could create both hope and opportunity for low-income families and communities, and sustained prosperity for the country as a whole. When the most successful entrepreneurs are asked what they look for in deciding where to start a business, they say that they care more about access to an educated workforce and high-quality public transportation than they do about taxes.7

A public investment agenda to upgrade the national infrastructure (roads and bridges, but many other types of assets as well) can provide decent jobs to workers at every education level and in all communities. It also...
offers one of the best opportunities to draw workers back into the labor market. Even though unemployment is exceptionally low, millions of people in their prime working years, ages 25 to 54, have left the labor market (see Figure 2.1). Millions more have taken part-time jobs although they want and need to work full time. Improvements in infrastructure would also enable the United States to make long-term productivity gains. Low productivity growth since the end of the Great Recession has been a major cause of stagnant wages.

It would be shortsighted to limit one’s thinking of infrastructure to just physical infrastructure such as roads and bridges. We define infrastructure broadly to include investments in human capital. A nation’s human capital is its most valued asset. Nations that invest in the capacity of their workforce stand to realize the highest returns in the long run and are better prepared for a future economy that will be increasingly knowledge-based.

Making the Grade on Physical Infrastructure

The condition of the nation’s roads and highways directly affects productivity. The cost of underinvesting in infrastructure since 1980 is becoming increasingly apparent: the number of vehicle miles traveled has increased 10 times as quickly as new lane construction. This means goods arrive at their destinations later, fuel costs increase as vehicles sit in traffic, and it takes longer for workers to reach their jobs. Altogether, the cost of traffic congestion to the economy is estimated at $160 billion annually. Congestion also affects employment directly. For example, traffic congestion in large metropolitan areas can reduce employment growth by up to 4 percent.

In 2017, the American Society of Civil Engineers (ASCE) issued its latest Infrastructure Report Card, assigning letter grades to 16 categories of the nation’s core infrastructure (see Table 2.1). Overall, the nation’s infrastructure earned a D+, the same as the 2013 report card.

Traditionally, the public sector has financed the maintenance, improvement, and expansion of physical infrastructure. This is largely because of its enormous upfront costs. Between 1990 and 2015, private finance accounted for only about 0.5 percent of the $4 trillion spent on highways, for example. The Trump administration has called for a larger role for private investment. This would be new for most forms of infrastructure, and it involves many “moving parts.” Cost-benefit analysis that reflects an understanding  

![Figure 2.1 Civilian Labor Force Participation Rate: 25 to 54 years](image)

**Figure 2.1 Civilian Labor Force Participation Rate: 25 to 54 years**

Note: Shaded areas indicate U.S. recessions.

of the local context has the best chance of identifying projects that would benefit both the public and investors.

The most expensive category, surface transportation, includes roads and highways, bridges, and transit. The cost of meeting all the nation’s infrastructure needs would run into the trillions of dollars. But the cost of doing nothing is rising rapidly. ASCE estimates that by 2025, the nation’s deteriorating transportation infrastructure will cost $238 billion annually in lost economic output—rising to $575 billion per year by 2040.15 This could shift private sector cost-benefit analyses toward increasing its resource allocation toward such public goods.

One advantage of successful private-sector investments in infrastructure could be freeing up public resources for critically important infrastructure improvements that are not likely to attract private investment. Such projects are disproportionately located in underserved communities, such as areas of concentrated poverty or persistently poor rural areas.

Water quality is perhaps the best known of many examples. Maintaining infrastructure that may be taken for granted can be last on the list for public resources, particularly in areas with few resources and/or limited political power. In this case, aging but neglected water pipes are allowing lead to leech into drinking water. Children exposed to any level of lead are at higher risk of physical, behavioral, and cognitive disorders. In January 2016, lead exposure was declared a federal emergency in Flint, Michigan. Even worse, drinking water in at least 3,000 locales has been found to be contaminated with even higher levels of lead than in Flint.16

When surveyed, most Americans say funding for infrastructure is extremely or very important. They also say they are against raising the federal gas tax. The problem with this is that the federal gas tax is the source of funding for highways and mass transit. Moreover, it has not been raised since 1993.17

Perhaps it all comes down to how the issue is presented. In 1956, President Eisenhower convinced Congress and the public that the nation needed a massive investment to build an interstate highway system. Eisenhower described infrastructure as a national security issue.18 More than 70 years later, national security is at stake for a different reason: extreme weather events due to climate change. Drought, floods, wildfires, and hurricanes are increasingly common, and a deteriorating infrastructure makes the U.S. population more vulnerable, particularly the half of all residents who live within 50 miles of a coastline.19 Now could be the time to mobilize public support for upgrading barrier infrastructure such as dams and levees.

Federal spending on infrastructure has fallen since the turn of the century (see Figure 2.2). Yet as earlier mentioned, federal investment is extremely important because of infrastructure projects’ huge price tags. The exception proves the rule: under the temporary Build America Bonds program in ARRA, the federal government made part of the interest payments on behalf of state- and locally sponsored infrastructure projects. By the time the program expired at the end of 2010, it had issued $181 billion in bonds, demonstrating the high demand for federal support.20 State and local governments fund most of the current U.S. infrastruc-

Table 2.1  American Society of Civil Engineers 2017 Infrastructure Report Card Grades

<table>
<thead>
<tr>
<th>Cumulative</th>
<th>Grade</th>
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<tbody>
<tr>
<td>Aviation</td>
<td>D</td>
</tr>
<tr>
<td>Bridges</td>
<td>C+</td>
</tr>
<tr>
<td>Dams</td>
<td>D</td>
</tr>
<tr>
<td>Drinking Water</td>
<td>D</td>
</tr>
<tr>
<td>Energy</td>
<td>D+</td>
</tr>
<tr>
<td>Hazardous Waste</td>
<td>D+</td>
</tr>
<tr>
<td>Inland Waterways</td>
<td>D</td>
</tr>
</tbody>
</table>

| Levees              | D     |
| Ports               | C+    |
| Public Parks        | D+    |
| Rails               | B     |
| Roads               | D     |
| Schools             | D+    |
| Solid Waste         | C+    |
| Transit             | D-    |
| Wastewater          | D+    |

Source: www.infrastructurereportcard.org/americas-grades/
ture projects. Between 2010 and 2016, for example, 23 states increased their own gas tax or enacted legislation to index the gas tax to inflation in order to finance highway projects.21

One example of federal investment that supports infrastructure improvements in underserved communities is local hiring practices, which help connect people in low-income communities and people who face significant barriers to employment with jobs. For example, the contractor on a highway project in San Bernardino, Calif., received a wage subsidy of $5 an hour for workers in either of these groups up to a certain dollar limit.

Marvin Kropke of the International Brotherhood of Electrical Workers, Local 11, said, “IBEW Local 11 has created the largest certified electrician’s apprenticeship program in the country, opening up career-path construction jobs to 1,700 new workers from South Los Angeles to Long Beach. We have been able to do this in large part because of local hire programs that push contractors to recruit new workers from low-income communities.”22

Unfortunately, the U.S. Department of Transportation announced in 2017 that it would end support for local hiring practices on projects financed with federal grants.23

Banking on Human Infrastructure

Growing understanding of early childhood development now permeates economic policy debates. Nobel Prize-winning economist James Heckman, who pioneered the research in this area, argues that investing in the early development of children growing up in
poverty is the most effective way to strengthen the economy. Ensuring that children receive proper nutrition in their most formative years, especially the 1,000 days between pregnancy and age 2, is one of the most cost-effective investments any nation can make in its future workforce. Research shows that when children growing up in poverty have access to food assistance programs, they perform better in school and, as adults, earn more and rely less on safety-net programs. Long-term studies of high-quality preschool programs show similar results, indicating that students are more likely to graduate from high school and less likely to commit crimes.

A recent report by the Council on Foreign Relations highlights high-quality preschool as a critical intervention to narrow the achievement gap. Other researchers have found lasting benefits to both individuals and society from high-quality early education programs. High school graduation rates and postsecondary educational attainment rise significantly, leading to a more productive workforce and a stronger economy.

Improved workforce productivity is so important that the Council on Foreign Relations report identifies “the deep and growing achievement gap between socioeconomic groups that begins early and lasts through a student’s academic career” as “the nation’s greatest competitive weakness.” That bears repeating: our country’s most important competitive weakness is not taxes, regulations, trade barriers, immigration policies, or other such “usual suspects.” It is socioeconomic inequalities that affect education.

Of course, children’s education should continue to be a national priority after preschool, but, as Figure 2.3 shows, achievement gaps begin much earlier than previously thought—by the beginning of kindergarten. This is why programs such as Head Start and Early Head Start, federally funded preschool programs that serve children living with poverty, are so critical. But, currently, Head Start reaches less than half of all eligible 4-year-olds, and Early Head Start reaches less than 5 percent of eligible infants and toddlers.

The United States ranks near the bottom among high-income countries in the share of 4-year-olds enrolled in preschool. Nearly all four-year-olds in Britain, France, Germany, South Korea, and Japan attend preschool, compared with about two-thirds of American children. Despite a rich evidence base from decades of research on the benefits of early education, per-pupil expenditure on preschool in the United States has been on the decline since the early 2000s.

Low rates of access to publicly funded early education, particularly for children younger than 4, mean that many children are in some form of child care while their parents work. Both the cost and quality of child care vary widely—a primary reason for the United States to invest in a much stronger childcare system. Access to high-quality child care is limited to children whose families can afford to cover costs that are now higher.
than college tuition in most states. A 2015 Washington Post poll found that three-quarters of mothers and half of fathers either had to quit work or switch to a less challenging job to care for their children—mainly because of high childcare costs.

The United States needs a much stronger childcare system that supports children and working parents. Child care is also a vital investment in the national economy—parents are integral parts of the workforce now, and in a few short years, both generations may well be contributing to the economy. When a country invests in child care, parents of young children have more opportunity to participate more fully in the workforce. One study of universal child care in Quebec found that with every 1-percent decrease in parents’ childcare costs, mothers’ labor force participation rates increased by 0.25 percent. In 1990, U.S. women’s labor force participation was the sixth-highest among 22 peer countries. By 2010, it was 17th (see Figure 2.4). Peer countries invested public resources in enabling parents to balance work and family responsibilities.

Improving early childhood care and education in the United States calls for more than merely scaling up the existing system. We need to raise the standards so that all children can participate in high-quality programs. National organizations such as the National Institute for Early Education recommend rigorous evaluation criteria, such as a requirement that all high-quality childcare programs hire staff who have bachelor’s degrees and specialized training in early childhood education.

The median wage of childcare workers in 2016 was $10.18, making it one of the lowest-paid occupations in the United States. Not only would college graduates be unlikely to enter a field with such low pay, particularly
in numbers large enough to meet the needs, but it is very difficult for child-care workers who want to improve their knowledge and skills to afford college classes. Low pay and meager benefits also lead to high staff turnover, which affects both the children and the program.

Systemic efforts to professionalize child care will not only address a growing educational achievement gap and raise the pay and improve working conditions for millions of low-wage childcare workers, but it will also enable parents of young children to work full time if desired and to take jobs commensurate with their skills. The return on investment will only increase over time as generations of children grow up to contribute to a more productive and prosperous economy.

**Equitable Growth: Leaving No One Behind**

High levels of economic inequality harm both lower-income individuals and the economy. Ensuring that the gains from economic growth are shared more fairly will require political will and effective strategies to lower the barriers to earning high enough wages to support oneself. Those who confront such barriers and are disproportionately affected by hunger and poverty include women, people of color, formerly incarcerated people, people with disabilities, and youth who are neither in school nor working. Most of the population falls into one or more of these groups—which helps explain why so many families struggle to make ends meet with stagnant wages and little ability to save for the future.

Women make up close to half the workforce but face discrimination in every field. On average, women who work full time are paid only 80 percent of what their male counterparts are paid. While the gender wage gap has been slowly narrowing since 2000 for workers with less than a college degree, it has been increasing among those with a bachelor’s or advanced degree. Over their working years, women’s lost earnings add up to significant amounts: a high school graduate will have been paid $700,000 less than a male high school graduate, a college graduate $1.2 million less, and a professional school graduate $2 million less.40

In some cases, even problems caused by perceptions can be addressed through public policy. For example, wider access to affordable, high-quality child care would very likely reduce the gender pay gap and improve women’s career prospects. As a Cornell University study found, employers judge mothers to be less committed to their jobs than fathers in the absence of any evidence for this belief. Good childcare options could help erode these perceptions—and the lower pay that often accompanies them.

People of color are far too often the “last hired.” For decades, the African American unemployment rate has been about twice that of whites. In the late 1990s, overall unemployment was very low, and the African American unemployment rate fell to a historic low of 7.6 percent. The tight labor market also meant that wages increased for everyone, but most of all for low-wage workers, who are disproportionately people of color. The median income of African American families grew faster during the late 1990s than at any point since the Civil Rights era.42

A federal guarantee of employment has been a priority of civil rights leaders since the 1930s. The March on Washington organized by Rev. Dr. Martin Luther King, Jr., and other civil rights leaders in 1963 was described in full as the “March on Washington for Jobs [emphasis added] and Freedom.” In addition, the Poor People’s Campaign that Dr. King was planning when he was killed was intended to build a movement among people of all races to demand jobs that paid decent wages. Coretta Scott King, his widow, was instrumental in getting Congress to pass the 1978 Full Employment and Balanced Growth Act, which established the Federal Reserve’s mandate of ensuring maximum employment.

**Formerly Incarcerated People**

In not quite four decades, the number of people incarcerated in the United States has increased by 500 percent. Crime, however, has not. The United States incarcerates people at much higher rates than most other countries because of the War on
Drugs (see Figure 2.5). Forty-six percent of all prison inmates have been incarcerated for drug offenses, most of them nonviolent, compared to 12 percent for all homicide, aggravated assault, kidnapping, and sex offenses combined. The incarceration of so many people, particularly African American men, has been devastating to families and communities. Families frequently fall into hunger and deeper poverty without the imprisoned person’s wages. Children’s school performance is affected and some go into the foster care system.

Communities of color, particularly men, are disproportionately affected by this surge in imprisonment. People of color are more likely to be imprisoned than whites who are convicted of the same offense. About 1 million more whites than African Americans have been convicted of felonies, but more African Americans are sent to prison on felony convictions. While incarceration rates have been rising faster for women than men since 2000, the prison population is still more than 90 percent male.

Figure 2.5  Number of People in Prisons and Jails for Drug Offenses, 1980 and 2015

<table>
<thead>
<tr>
<th></th>
<th>State Prisons</th>
<th>Federal Prisons</th>
<th>Jails</th>
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<tbody>
<tr>
<td>1980</td>
<td>19,000</td>
<td>4,700</td>
<td>17,200</td>
</tr>
<tr>
<td>2015</td>
<td>206,300</td>
<td>171,245</td>
<td>92,000</td>
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Source: The Sentencing Project.

Large numbers of prison inmates translate, sooner or later, into large numbers of people who are released—more than 600,000 every year. Most are fathers who want to contribute to supporting their children, but current laws and policies make that difficult. The American Bar Association has documented 38,000 statutes nationwide that apply to individuals with criminal records, over half of which can be used to deny employment. Men who have been incarcerated account for as many as one-third of all nonworking men between the ages of 25 and 54. People with a criminal record can be denied housing assistance, and in some cases, family members who receive assistance can be evicted if they are found to be sheltering someone who has been incarcerated.

A 2013 study by the National Institutes of Health covering 113 individuals recently released from prisons in Texas, California, and Connecticut reported a food insecurity rate of 91 percent. Fourteen states maintain a lifetime ban on SNAP participation for people convicted of drug felonies, and 18 more maintain a modified ban.

It makes sense for Congress and state legislatures to reduce over-incarceration (due to mandatory sentencing, for example), and make it less difficult for people who have served their time to reintegrate into their communities. Having a job and somewhere to live reduces the likelihood of recidivism.

Some progress has been made in helping people with criminal
Rafi

Rafi Peterson insists that no one should leave prison without a General Educational Development (GED), and preferably an associate’s degree. He earned two college degrees while in prison from 1983 to 1997. Since then, funding for prison education programs has been slashed, and most people leaving prison have no credentials that would help them get a job.

Peterson lives in Chicago and works for the Southwest Organizing Project (SWOP), a community nonprofit that operates in some of Chicago’s toughest neighborhoods. He works with men like himself who have spent 10 years or more in prison. One client had been imprisoned for 37 years.

With support from the Inner-city Muslim Action Network (IMAN), one of SWOP’s partner organizations, Peterson established a transitional housing program for ex-offenders, men whose only other options were a homeless shelter or the street. Adjusting to life on the outside is a process, Peterson points out. In prison, you’re focused on the dangers all around you, and after years of living like that, it takes time to adjust your reflexes.

Finding a job is one of the greatest challenges they face. Few employers will give someone who spent more than 10 years in prison a chance, even in a good economy. Peterson knows he can’t change the stigma of a criminal record and lengthy prison sentence. That’s why in 2007 he created Project Restore Industries, an idea he began developing while in prison.

Work is restorative and makes it possible for ex-offenders to contribute to their communities and their families. But because it is so difficult for them to get hired, Project Restore Industries’ approach is to guide the men in starting their own businesses. A collective self-help structure helps them assume responsibility for creating jobs for each other. Not everyone is an entrepreneur, but with some training, many ex-offenders in Project Restore have proven to be more successful at business than many people would think someone with a GED or less could be.

None of the men he has worked with has re-offended. “People recidivate because of hunger,” he says. “Hunger makes you desperate, and desperate people do desperate acts.”
records transition back into society. Twenty-nine states have adopted ban-the-box policies, meaning that job applications can no longer include a question asking whether the applicant has a criminal record. The Work Opportunity Tax Credit (WOTC) is an incentive that has been available to businesses that hire people who face significant barriers to employment, including those with felony records. The credit applies to 25 percent of qualified first-year wages for those employed at least 120 hours, and 40 percent for those employed 400 hours or more.

Federal or state officials could consider expanding some of the small-scale examples of successful transition programs. Transitional jobs programs for groups that face barriers to employment have existed since the 1970s. These programs, which generally last for several months, pay workers and teach them skills to prepare them for more permanent employment. They are most effective when they include supportive services such as housing, food assistance, and counseling. A model program in New York in the early 2000s provided subsidized employment to hundreds of ex-offenders at a cost of $4,800 per person. Compare this to the average amount states spend to incarcerate someone: $33,274 per year.

During the Great Recession, the Emergency Fund of the Temporary Assistance for Needy Families (TANF) program subsidized the creation of 260,000 jobs, mainly in the private sector, in 39 states and the District of Columbia. Ex-offenders were one of the groups eligible for these jobs. The program ended in 2010. Follow-up a year later found that participants in the program were more likely to be employed and had higher earnings than a similar group who did not get jobs through the program. Overall, employers were satisfied with the workers and their productivity. Perhaps the best news is this: two-thirds of the employers created positions for the workers after the program ended.

**Disconnected Youth**

Women, African Americans, and people with criminal records are disproportionately affected by hunger and poverty and face barriers to securing jobs that pay enough to support them and their families. Another such group is often referred to as “disconnected youth.” Nearly 5 million Americans ages 16 to 24 are neither in school nor working, according to the latest Census data. About one in eight of all Americans in this age bracket are disconnected. Approximately half are young men and half are young women.

Poverty increases the risk of disconnection, but race and ethnicity are also important (see Figure 2.6). For example, Native American youth living in households with incomes at five times the poverty line face roughly the same probability of disconnection as white youth living in households with incomes well below the poverty line.
There are other groups at higher risk. Young people with a parent who is or was in prison have higher rates of disconnection and are far more likely to be incarcerated themselves. Youth in foster care are at very high risk of disconnection. In most states, they are completely on their own the day they turn 18, with no support as they transition. By age 24, less than half are employed and nearly 60 percent have been convicted of a crime. Youth with disabilities have a high school graduation rate 20 percentage points lower than those without disabilities. Jobless rates among people with disabilities are also much higher. Laws that prevented some disabled people from working have been overturned in recent decades, but the stigma and misperceptions associated with disabilities are more resistant to change.

The economic costs associated with disconnected youth are staggering when the impacts of reduced earnings and tax revenues, crime and incarceration, safety-net programs and social supports are all added up. By one estimate, the cost to taxpayers of the present cohort of disconnected youth will ultimately exceed a trillion dollars. This is truly staggering since disconnected youth are less than 2 percent of the U.S. population.

The Opportunity Youth Network consists of nearly 100 national organizations and includes the Aspen Institute, the Bill & Melinda Gates Foundation, and the Rockefeller Foundation. The network wants to reconnect disconnected youth. Many successful interventions, albeit on a small scale, have shown that disconnected youth have much to offer the country.

One of the interventions that can serve as a model is YouthBuild USA. The program combines education, job training, community service, personal counseling, mentoring, and leadership development. Nearly 300 local affiliate programs are funded through public and private partners. The largest funder is the U.S. Department of Labor. YouthBuild programs accept low-income youth between the ages of 16 and 24. According to a recent survey, 94 percent of entering participants lack a high school diploma or GED. Their reading skills are at the seventh-grade level on average, and almost one-third are parents. By the end of the 10-month program, however, participants obtain a high school diploma or equivalency degree and also earn industry-recognized certifications to help them jump-start careers. Many graduates go on to college or other post-secondary programs such as registered apprenticeships.

Smart Government

Government policies and programs can have both positive and negative implications for shared and sustained prosperity. The need for smart government policies is a pervasive theme of this report. Given the importance of equitable economic growth and decent jobs to ending hunger and poverty, government policies must support job creation in low-income communities and help connect people with opportunities for education, work, and entrepreneurship. Cumbersome regulations that discourage aspiring entrepreneurs from starting businesses, and thus lower the rate of job creation, should be eliminated. By balancing the tradeoff between the benefits of regulation and its negative effects on employment growth, government can maximize how free markets promote economic efficiency.

In the rest of this chapter, we look at two other areas of government policy that are especially important to the country’s ability to achieve shared and sustained prosperity—climate change and immigration. “Getting the policy right” on these issues matters, both to individuals and to the entire nation.

Climate Realism Is Crucial to Sustained Growth

Doing nothing about climate change will be costly.

The 2017 U.S. hurricane season was unprecedented in financial terms. Hurricanes Harvey and Irma alone will easily cost more than Hurricane Katrina, previously the most expensive natural disaster with a total bill of at least $100 billion. At this writing, more than three months after Hurricane Maria hit Puerto Rico, the island’s electrical grid is still operating at less than 50 percent capacity, and there have been hundreds of “excess” deaths (i.e., more than during the same period.
last year or the year before) that may be linked to the unavailability of essential medical care. Climate change is also implicated in the dry conditions and soaring temperatures in the western United States that contributed to dozens of forest fires.

The science points to human-induced climate change as the reason behind the increasing frequency and severity of extreme weather events. The United States certainly cannot afford for natural disasters on the scale seen in 2017 to become routine.

All construction in climate-vulnerable areas must be “climate smart.” Two-thirds of the flooding during Hurricane Katrina would have been averted if the levees in New Orleans had held.70

Florida’s infrastructure received an overall grade of C on ASCE’s 2017 report card.71 While this is better than the national average of D+, people in Florida realize that hurricanes hit Florida every year and preparedness is essential.

“You want to make sure that your infrastructure is in top shape when a disaster like [Irma] happens,” said Addie Javed, former president of the Florida section of ASCE. “Deferred maintenance is the biggest problem. Later or sooner you’re going to be paying for that.”72 By harnessing political will and adopting effective strategies, Florida could head toward an A in infrastructure.

Action in sectors other than infrastructure could also reduce the impact of climate change. Renewable energy and technologies that reduce carbon emissions, for example, are evolving rapidly. So are mitigation strategies, such as reforestation to capture more carbon.

U.S. business leaders support consistent government policies on trade, environment, and other global issues that affect the impact of climate change. One reason business leaders have urged the administration not to withdraw from the Paris Climate Accord73 is that confusion and uncertainty are the enemies of a positive business environment.

In 1970, before anyone knew about climate change, President Richard Nixon had an answer for those who argued that environmental regulations would hamper economic growth: “I realize that the argument is often made that there is a fundamental contradiction between economic growth and the quality of life, so that to have one we must forsake the other. The answer is not to abandon growth, but to redirect it.”74

The country’s experiences with the Clean Air Act and the Clean Water Act, beginning in the 1970s, show that environmental protection can save significant amounts of money rather than costing more. For example, in the first two decades of the Clean Air Act, from its adoption in 1970 to an assessment made in 1992, the legislation saved $22.2 trillion through its impact on public health alone. The study put the cost of compliance over this period at just $0.5 trillion.75

Climate change is one of the greatest threats to the economic future of the United States. It could also be the challenge that unites and galvanizes us to rebuild shared and sustainable prosperity. The question is how we can tip the balance in the right direction.

**Immigration Realism: Immigrants Are Crucial to Sustained Growth**

It’s frequently said, but bears repeating, that the United States is a nation of immigrants. During every era of our history, immigrants have added to the U.S. economy, human capital, and culture. That has not changed. For example, a third of American Nobel Prize winners between 1991 and 2015, 76 and more than 40 percent of those currently conducting research at the country’s major cancer centers, were born outside the United States.77

Dr. Alfredo Quiñones-Hinojosa is one of them. He is a neurosurgeon and chair of the Department of Neurologic Surgery at the Mayo Clinic. But he arrived in the United States without documentation when he was 19 and started out as a farmworker in California’s Central Valley. He fled his hometown in Mexico because he was hungry. “I am not talking about hungry for success; I was literally hungry for food,” he explained during an interview on National Public Radio.78

Once he had enough to eat, though, his hunger for success took him from farm work to community college to medical school. Quiñones-Hinojosa became one of the country’s leading researchers on brain cancer and has been a proud citizen of the United States since 1997.

Of course, most immigrants do not move from contributing by harvesting vegetables to contributing by curing brain cancer. But they are making contributions nonetheless. For example, immigrants are
almost twice as likely to start businesses as people born in this country,\textsuperscript{79} creating jobs that benefit U.S.-born workers and immigrants alike.\textsuperscript{80}

Whatever their nationality, people who enter the United States without documentation have one thing in common: hunger and poverty at home. Malnutrition is destroying their children’s futures. An increasing share of undocumented immigrants are also fleeing shocking levels of violence, often perpetrated by organized gangs, who have turned their hometowns into virtual war zones. In 2017, for example, the World Food Program found that a large percentage of migrants from Central America’s three “Northern Triangle” countries, El Salvador, Guatemala, and Honduras, were literally running for their lives.

Another reason to get immigration policy right is that the U.S.-born population is aging. Our country needs more immigrants, not fewer, to replace a generation of retiring workers. Stable funding for Social Security and Medicare benefits depends on have enough people working and paying taxes to fund the programs.

Demographic challenges associated with the aging population underscore the value of a program such as DACA (Deferred Action for Childhood Arrivals). People who qualify for DACA were brought to the United States as children. Some did not know they were undocumented until they were adults. Participants in DACA may work, study, or serve in the military without fear of deportation.

There are currently about 700,000 people, whose average age is 24, participating in DACA. A report by the Center for American Progress (CAP) found that ending DACA would lead to a loss of $460.3 billion in GDP over 10 years.\textsuperscript{81} Looking further ahead, the losses would only multiply. These are all motivated young people who are already contributing to the country where they grew up and went to school. They are American in every sense but their place of birth. In their prime working years, they will contribute even more. The United States needs to make the best use of all available resources to build a stronger, more inclusive economy.

Beyond DACA, an estimated 11 million undocumented immigrants live in the United States. For humanitarian reasons, it makes sense to allow them a path to citizenship. But doing so also makes sense for economic reasons. Legal status allows them to get better jobs, better provide for their families, and contribute more to the U.S. economy.

In the remaining chapters of this report, we look at other areas where smart government policies could make a difference. The wage frustrations of U.S. workers are now the inevitable result of economic and technological forces. Changes in public policy can improve job opportunities for low-income and working people.