

A VISION FOR THE ECONOMY OF 2040

The Next American Economy Project
July 6, 2015

***Early in the morning factory whistle blows.
Man rises from bed and puts on his clothes.
Man takes his lunch, walks out in the morning
light. It's the working, the working, just the
working life.***

—Bruce Springsteen, “Factory,” 1978

The predestined, blue-collar lifestyle that Bruce Springsteen sang about in *Darkness on the Edge of Town* is already a thing of the past, and it will only grow smaller in our rear-view mirrors as we approach 2040. Soon, the world of the large central firm and steady, predictable work will exist only in museums.

WHAT WILL REPLACE IT?

The following set of thought briefs attempts to address this question and describe some ways that economic, social, and political institutions in the U.S. must adapt to provide opportunity and prosperity in the mid-21st century. Guided by the belief that we are in the midst of an economic transformation on par with the Industrial Revolution, the Roosevelt Institute’s Next American Economy project identifies the trends and challenges that will shape our economy in the next 25 years in order to better inform the policy decisions we must make today. We are particularly focused on the potential impact of new technologies on productivity, employment, and economic security.

To help glean insights on these topics, we convened a diverse group of economists, technologists, union leaders, and entrepreneurs,

and framed a series of conversations aimed at identifying the key concerns of today and projecting how they might evolve, dissipate, or intensify over the next 25 years.

These briefs—our first public release—take on some of the most promising and challenging issues that our expert working group came up with, including the promise and perils of the gig economy, smarter cities, and better modes of finance, as well as the need for new worker bargaining platforms and improved, lifelong education. We consider these topics in what we hope is a thorough (though of course not exhaustive) and accessible narrative.

Although each brief in this series focuses on a different aspect of economic evolution, the collection as a whole is primarily concerned with a foundational question of adaptation: How should American society—its workers, businesses, and government—adapt to a rapidly shifting economic environment? Generally, we identify four recurring formative trends that will shape the 2040 economy.

First, technologies like cloud computing, 3D printing, and robotics will revolutionize the way Americans work, communicate, and generally relate to the world. Technology will replace workers as a variety of professions become automated, but, as it leads to the creation of new jobs and overall economic growth, the extent to which technology can offset its own economic drawbacks remains to be seen. In “Where Will Work Come From in the Era of Cloud Computing

and Big Data?” John Zysman discusses how American manufacturers can make up for lost business by ushering in a new era of high-tech, value-added products.

Second, changes in the workplace will move traditional employment increasingly toward entrepreneurship, freelancing, independent contracting, and gig economy or “peer-to-peer” work on platforms like TaskRabbit. This will result in myriad changes to the ways in which Americans look after basic needs, from health care to retirement planning, that were previously met by a single employer. In “Barriers to Entry in the ‘Sharing Economy,’” Denise Cheng addresses numerous facets of the gig economy, while in “Challenges in SME Access to Capital” Richard Swart discusses the importance of start-up capital in a more entrepreneurial future economy.

The third trend, following directly from the second, concerns the likely increase in overall economic insecurity that will result from a society-wide decrease in the number of traditional jobs. Without the stability of long-term, full-time employment from a single firm that provides not only salary but also comprehensive benefits, Americans will need new tools to provide economic security for themselves and their families. Key to this point is not only the cost of benefits but the increased time and effort workers will have to expend just to manage their careers. How will workers bargain, for example, when they are employed—effectively—by a multitude of customers across a number of platforms like Uber and Etsy? If they are contractors, what institutions will help them complete their annual tax returns and handle billing and payments? And lastly, how will workers keep their skills up to date as employer needs evolve around them?

Michelle Miller addresses some possibilities for the future of bargaining power in “The Union of the Future,” while briefs by Chelsea Barabas and our colleagues at the Royal Society for the Encouragement of Arts, Manufacture, and Commerce discuss two revolutions in education that will help workers adapt in a rapidly changing economy.

Finally, the government’s increasing inability to make policy that benefits society and meets the economy’s most pressing needs will be exacerbated by rapid technological and economic evolutions that make such policy ever more pressing. Simultaneously, swelling retirement entitlements will raise budgetary challenges that further restrict the federal government’s ability and willingness to invest and reform. As such, is out of necessity that we at the Next American Economy project feel cities—already successful laboratories for creative policy solutions—will increasingly become the incubators and epicenters for innovation and business growth. Julia Root goes into great depth on this topic in “Promising Developments: The City in 2015.”

The challenge of adapting to these evolutions is grave. Indeed, it would be easy—and some of us were tempted—to throw up our hands and prepare for the worst. To avoid unproductive handwringing, the Next American Economy project took a collective oath of optimism. This is perhaps most apparent in our final brief, written by Next American Economy leader and Roosevelt Institute Senior Fellow Bo Cutter, in which we project many of the ideas discussed in these papers into 2040 and paint a holistic picture of this (not overly) optimistic scenario.

We hope that you will enjoy this foray into our future.

READ MORE:

NEXTAMERICANECONOMY.ORG



ROOSEVELT
INSTITUTE