

CHAPTER ONE

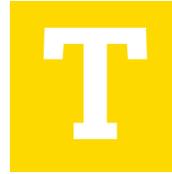
Creating an All-In Nation

BY RUY TEIXEIRA AND JOHN HALPIN



Change is the law
of life. And those
who look only to
the past or present
are certain to miss
the future.

PRESIDENT JOHN F. KENNEDY



The America that our grandparents and parents knew is no more. The America that we know is rapidly changing and will be a very different place for our children. People may look at that change as either a good or bad thing, but one thing is for certain: It is inevitable.

In the 1960s, America was a much different nation, and many would argue a much scarier place. Internationally we endured the constant saber rattling of the Cold War and its threat of nuclear annihilation. Domestically we faced implosion from deep racial wounds allowed to fester and putrefy for too long. Yet the nation mustered the resolve to overcome fear and embrace the promise of full political equality and economic opportunity for African Americans, Latinos, and women while seeking to eradicate the most extreme poverty in America's cities and rural areas. These were big and lofty goals; and though we fell short, the mere act of setting these goals enhanced the nation's standing in the world and created a sense of "can do" internally.

Today we live in an America that is more racially and ethnically diverse than ever. In November 2012 we were reminded of this when President Barack Obama was re-elected by the most diverse electorate in U.S. history, winning with communities of color by a margin of roughly 80 percent to 18 percent. This new electorate also added a number of new faces to the 113th Congress, including members from every race and ethnic group, a record number of women, and the country's first openly gay elected

senator. It is an undeniable fact that the United States is becoming increasingly diverse, bolting toward the day when there will no longer be any clear racial or ethnic majority in the U.S. population.¹ Already more than half of newborns today are of color, and demographers predict that more than half of all youth will be of color before the end of this decade.² As youth drive this demographic change, each generation is becoming more and more racially and ethnically mixed than the one before.

America's rising demographic tide presents tremendous opportunities to build a robust, sustainable, and competitive economy, but seizing these opportunities will require a major change in course. America's global leadership depends on gaining a competitive edge in an ever-expanding world economy and demonstrating that democracy can work in a decidedly multiracial, multiethnic context. At a time when our population, while growing, is becoming a smaller share globally, the nation must maximize the contributions of all Americans to our economy and democracy. We cannot afford to leave anyone behind—especially those populations on the rise. But today's public policies are outmoded and ill-equipped to provide every American with the tools needed to help themselves and the nation succeed in the next economy.

As a nation we must make a collective decision. Will we act proactively to take the steps necessary to turn change into an advantage for our economy and democracy, or will we do nothing and let current trends continue and eventually overwhelm us? Are we bold enough to follow the lead of

those generations who came before us and boldly embrace a changing America?

CAP and PolicyLink hold the view that standing still and holding fast to the present is not an option; trying to recapture a past that was only good for some, while leaving too many out, is a self-defeating path. The only real choice is to face the future, recognize its vast potential, and move forward.

Whether one accepts, rejects, or remains ambivalent about America's diversity, the fact is that as a nation we have little choice but to devise the best paths forward for everyone regardless of their background. The country will either rise together as one nation with many different faces and voices doing their part for themselves and others, or fall as a divided country unable to bridge its differences and achieve mutual success.

In short, we need an All-In Nation. To get there, though, we first need to know and accept where we are destined by demography to reach over the next four decades and to understand the peril we face as a nation if we fail to change course.

The changing face of America

In many parts of the country, our multiracial, multicultural future is already here. People of color already constitute the majority in 49 of the nation's 366 metropolitan regions, as well as four states (California, Hawaii, New Mexico, and Texas).

Other regions and states are racing toward this milestone, with another 40 regions and nine states projected to become majority people of color by the end of this decade.³

And the nation's demographic transformation runs much deeper than a simple majority accounting portrays. Almost every community is experiencing dramatic changes in the makeup of its population, including rural counties, small towns, and suburbs in addition to the large cities that have traditionally had diverse populations and served as immigrant gateways. Even in Iowa, which remains 91 percent white, one in four residents of Marshalltown (population 27,552) is now Latino, and the Latino share of the population doubled over the last decade. More than half of the schoolchildren in this rural meatpacking town, which sits in the heart of the state, are now people of color, and last year the high-school prom king and queen were Latino.⁴

One telling statistic about the extent of America's demographic change is that 92 percent of population growth in the United States over the past decade came from people of color. When you look community by community at what groups drove population growth or decline, you see that many places—145 of the nation's 366 metropolitan regions—would have actually experienced population *decline* were it not for the growth of their diverse populations. And this is true in predominantly white regions such as Duluth, Minnesota, and Grand Forks, North Dakota, as well as more diverse metros, including Los Angeles and Miami.⁵

Latinos are the main driver of demographic change in America, accounting for more than half of the total population growth over the past decade. Contrary to popular misperception, this increase was due more to births among Latino families than to immigration. But Latinos are not alone in changing the face of our nation. The Asian population grew at a faster pace last decade than any other group, and the number of people who identify as multiracial is also increasing at a rapid clip. African American and Native American populations also grew, but unlike Latinos, Asians, and multiracial populations, they did not increase their relative share of the population. The non-Hispanic white population grew slightly, but other groups are gaining population so much more rapidly that the share of the population that is white is quickly decreasing.

Rising inequality and stalled mobility

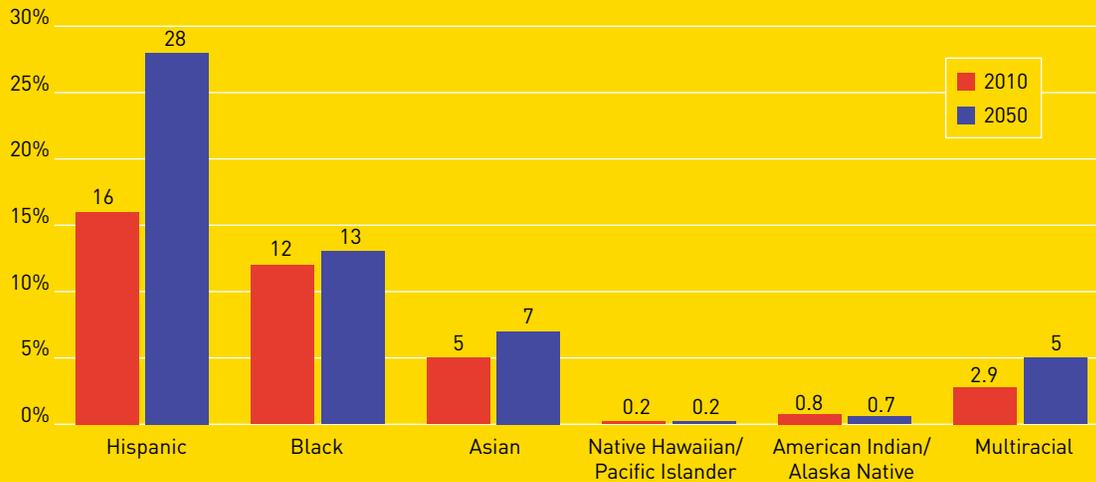
As our nation continues to grow its demographic diversity, it is hardening in terms of economic inequality and social mobility, with communities of color often stuck at the bottom of the economic ladder. News reports, academic research, and increased social discontent—manifested by the Occupy movement—all attest to the rise in inequality in America. For several decades following World War II, strong economic growth corresponded with rising incomes for families of every race and ethnicity, though families of color saw their incomes increase much more modestly. People of color, especially blacks, were

America in 2050

What will America look like in 2050? The best guess comes from the U.S. Census Bureau's population projections, which provide estimates of our race-ethnic distribution by five-year intervals up to 2050.

According to these projections, sometime in the early 2040s, non-Hispanic whites will become a minority of our population. By 2050 they will be only 47 percent, with communities of color combining to form a solid 53 percent majority. (see Figure 1) Hispanics will make up 28 percent of the population, up from 16 percent in 2010, and blacks will be 13 percent, about 1 percentage point higher than their level in 2010. Asians will be 7 percent, up from 5 percent in 2010, and another 0.7 percent will be made up of American Indian and Alaska Native, unchanged from their 2010 level. Finally, multiracial individuals could potentially see very strong growth, nearly doubling in size from their current 2.9 percent to 5 percent in 2050.

FIGURE 1
Comparing race-ethnic distribution in 2010 and projections to 2050



Source: U.S. Census Bureau.



In this July 12, 2012 file photo, a young customer eats a cupcake bought from the Flirty Cupcakes food truck in Chicago.

AP PHOTO/SITTHIXAY DITTHAVONG

blocked from many of the fruits of the postwar boom by deep-rooted and pervasive prejudice that significantly limited opportunities through to the early 1970s. But since this high-water mark for the middle class in the mid-1970s, incomes have essentially stagnated—just as people of color began at last to enjoy the benefits of equal opportunity in our economy and our society. Then, in the first decade of the 21st century, the typical family’s income actually declined.⁶

While the majority of families have faced increasing costs and diminished earnings, the incomes and wealth of those at the top of the economic ladder have skyrocketed. Income inequality is currently at its highest level since the 1920s,⁷ and wealth inequality is even worse. Since 1979 the incomes of the top 1 percent of households have risen by an astounding 275 percent, while incomes for the middle 60 percent have risen about 40 percent, and incomes for the bottom 20 percent have risen a paltry 18 percent.⁸ The Great Recession wiped out nearly two decades of accumulated wealth for many households, primarily due to the housing crisis and declining home values.⁹ The top 1 percent now commands 36 percent of the country’s wealth, and the top 10 percent holds 75 percent of national wealth, while the bottom 80 percent of families holds only 13 percent.¹⁰

Everyone else has suffered as the wealthy claim more and more of our nation’s income, but rising inequality has taken its heaviest toll on communities of color, who were hit first and worst by the financial recession and have been slow to regain

their lost income and wealth.¹¹ African Americans, Latinos, Native Americans, and some Asian groups are less likely to hold jobs with family-supporting wages, own homes, and have the security of health insurance, retirement benefits, or savings. Household income for whites is more than double that for African American and Latino households, and white family wealth is 20 times higher than that of African American families and 18 times higher than that of Latino families.¹² And 1 in 10 whites lives in poverty, compared to one in four Latinos, African Americans, and Native Americans. Poverty rates are also high for many Asian subgroups such as the Hmong, Cambodians, Laotians, and Vietnamese. People of color are more likely to live in underserved neighborhoods that do not provide the good jobs, quality schools, retail options, parks, transportation, and services essential to live healthy lives and succeed economically.

Inequality places our economy and democracy at risk

Growing inequality runs counter to our identity and values as Americans. It is also a threat to the economy and to our democracy.

As inequality has spiked, there is growing concern that such high levels of inequality not only deprive those at the bottom of having a fair shot, but put the economy as a whole at a disadvantage. Recent reviews of the economics literature on inequality and growth find a growing academic consensus

that inequality has a negative impact on economic growth.¹³ And a recent analysis by the International Monetary Fund measured inequality and growth in more than 100 countries and found that nations with high inequality were more likely to have shorter periods of economic growth. For every 10 percent increase in a country's inequality, it had a 50 percent shorter period of economic growth.¹⁴

There are several reasons why inequity is a drag on growth, but one of the most convincing is that the broad-based purchasing power of a strong and diverse middle class is essential to economic growth. When a small percentage of people control large percentages of income and wealth, there simply isn't enough money flowing through the economy to buy the goods and services necessary to keep growth, profits, employment, and wages high and drive new productivity and innovation.¹⁵

Another economic risk of rising inequality is that as a nation we are not building a strong and prepared workforce that can successfully compete in the global economy. The workforce is diversifying much more quickly than the overall population, yet people of color face many barriers to gaining the skills and education they need to maximize their participation and contributions. The Center for Education and the Workforce at Georgetown University estimates that by 2018, 45 percent of all jobs will require an associate's degree or higher. Yet today, only 27 percent of African Americans, 26 percent of U.S.-born Latinos, and 14 percent of Latino immigrants have that level of education.¹⁶ Meeting the skills challenge

will require raising the skills and education of the fastest-growing segments of the workforce.

Rising inequality also undermines the fundamental American value of upward mobility. As Alan Krueger, chairman of the White House Council of Economic Advisers, argues, rising income inequality corresponds directly with lower economic mobility.¹⁷ Unlike the promise of the American Dream, where people rise and fall according to their talents and ambitions and where parents are able to create a better life for their children, we are quickly becoming a society where the rich stay rich and the poor stay poor. The United States is on track to have the lowest level of social mobility among the world's leading economies.¹⁸

A rigidly class-bound society divided by race and ethnicity is inconsistent with the notion that “all men are created equal” and endowed with unalienable rights to “life, liberty, and the pursuit of happiness.” Nor does it meet our constitutional promise to “form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity.”

Diversity is an economic opportunity

Beyond posing economic risks, inequity also hinders the nation from seizing the numerous opportunities offered by its growing diversity.

Diversity is the seedbed that produces innovation and creates new businesses and new markets. Diversity drives the innovation process that is so fundamental to economic progress. Research finds that teams of diverse individuals, for example, are better at solving problems and coming up with new ideas.¹⁹ And diverse businesses have better economic performance. Companies with more diverse workforces have higher revenues, more customers, higher returns on equity and assets, and a greater market share.²⁰ The private sector is catching on to this insight and recognizing the bottom-line benefits of diversity. As the CEO of PepsiCo, Indra Nooyi, puts it, “The diversity of people in a corporation promotes innovation because it achieves greater diversity of ideas. There is a link between diversity and innovation that’s not theoretical - it’s real.”²¹

Diverse communities also create new markets by providing a significant consumer base for existing businesses and by developing new enterprises. If it were its own country, America’s \$1.2 trillion Latino market would be the 15th-largest economy in the world—just below Canada and just above Indonesia.²² Because of changing demographics alone, the buying power of African Americans and Asians, as well as Latinos, is increasing much more quickly than that for white Americans.

Communities of color are also starting new businesses at a rapid rate—despite lingering barriers to accessing low-cost capital, contracts, mentorship, and technical expertise. Between 2002 and 2007 the number of businesses owned by blacks,

Latinos, and Asians grew more than three times as fast as white-owned businesses, and revenues grew more than twice as fast.

Lastly, America’s transformation into a world nation inside its borders can also help it connect to—and succeed in—the global economy. A multilingual and multicultural population can help entrepreneurs, companies, and organizations communicate with, understand, and respond to potential customers, suppliers, and collaborators across the globe. And immigrant entrepreneurs are helping the United States meet its goals to increase exports, thanks to their ties to markets in their native countries. Latino- and Asian-owned firms account for two-thirds of the nation’s exports to Latino and Asian countries.²³

Meeting the American promise

Shifting demographics offer our country the chance to live up to the ideals upon which it was founded: that we would be a nation of many different people and communities, each empowered by opportunities to make the most of our lives, and the potential to fully contribute to building a strong nation. To make this American Dream a reality, the nation’s institutions and public policies must reflect this diversity and represent the interests of all, not just a select few.

For long-term economic and social success, we must create a society with rising opportunity for all—black, white, Latino, Asian, and Native American;

rich, poor, and middle class alike. This will require taking steps to better educate our people and prepare our workers for global competition, and create the high-quality, high-wage jobs that are fundamental to shared prosperity. And it will require reorienting the public, private, and nonprofit sectors toward the task of giving all people a fair and equal shot in life regardless of their family background or historic patterns of exclusion.

Fortunately, this is not a new task for America and we have many traditions and political values to draw upon. Since 1776 when Thomas Jefferson, Benjamin Franklin, and John Adams first proposed a national motto to the Second Continental Congress, America has been guided by the principle *e pluribus unum*, or “out of many, one.” The Founders’ original idea for a national seal contained a shield with the countries of origin of the earliest non-native Americans—England, Scotland, Ireland, Holland, France, and Germany—surrounded by the 13 newly independent states. The message of the proposed national seal and motto was clear: The United States is a nation of distinct people from distinct regions united in the common cause of securing liberty and opportunity for all.

Despite its ideals of diversity, this founding vision excluded as many people as it included. Native Americans, slaves, free blacks, women, and those who did not own property were all left out from this founding vision. Racial, ethnic, and religious minorities and some immigrants also faced fierce discrimination as the nation developed.

Over time, and through constant struggle by citizens and committed social movements, the United States has slowly reduced its legal barriers to equality for all people. The Constitution was amended to end slavery, guarantee due process for all, and grant African Americans, women, and young people the right to vote and full citizenship. It took time for these constitutional changes to take root across all of our country, but today the constitutionally condoned barriers to equality for just about all of us except for gay and transgender Americans have been removed.

The nation’s leaders also created a policy framework that fostered economic security and mobility, allowing for the creation of a strong middle class that propelled our economic growth through the postwar era. The Social Security Act of 1935 ensured that future generations of American workers could look forward to a more secure old age. The Fair Labor Standards Act of 1938 set maximum hours and minimum wages for most workers, helping to close some of the gap between the wealthy and poor. Such laws and programs helped many families move into the middle class.

At the same time, just as the ideal of diversity and equality espoused by the founding fathers was not mirrored by reality, federal policies have sometimes perpetuated inequities. While it is true that many policies facilitated economic mobility and that some had universal benefits, other policies favored some groups while shutting out others. The National Housing Act in 1935 and the G.I. Bill in 1944, for example, helped millions of families access affordable home



In a Wednesday, Oct. 12, 2011 photo, Merih Engin, left, puts toppings on a pizza while Uzeir Ispahev, right, takes a pizza out of the oven, at the New York Pizzeria restaurant in Dayton, Ohio. Ispahev's Turkish family owns and runs the restaurant. They are among one of several small but growing groups of immigrants in Dayton that the city wants to welcome, and hopes will help rebuild its population and economy.

AP PHOTO/AL BEHRMAN

mortgages and build assets and wealth, but very few African Americans, Native Americans, or immigrants were able to take advantage of the federally subsidized mortgages made available through these programs due to the discriminatory practices embedded in the mortgage-financing system at the time. Whole neighborhoods in American cities that were home to people of color were “redlined” on the underwriters’ maps used to determine eligibility for federally insured loans, which led to rampant disinvestment and white flight.²⁴ During the 1930s and ‘40s, the

suburbs were essentially closed to people of color: More than 80 percent of these communities contained racial covenants barring people of color from buying homes in those neighborhoods.²⁵

We as a nation must draw on our founding principles—and learn from past mistakes—to make real on the promise of equality for all. The remainder of this chapter lays out a broad framework for how best to create an equitable economy that meets the needs of our diverse nation.

Creating an All-In Nation

The nation needs a guiding vision, a new narrative about its future, and a set of concrete strategies to create an equitable society—one in which everyone has a genuine chance to succeed and to help the nation as a whole flourish.

An agenda to create an All-In Nation in a diverse America would include strategies to reduce inequality and social divisions, remove racial and ethnic barriers, and grow the good jobs that are essential to inclusion in the future. It would provide all with a foundation for improving their lives and contributing to the well-being of their families, communities, and the nation.

This approach is wholly consistent with America's democratic and liberal traditions of individual rights and capitalism coupled with strong governmental measures to eradicate inequality, expand economic avenues for people, and provide the public goods necessary for all to thrive. It is broadly focused on the steps necessary to build and sustain a strong middle class made up of people across racial, ethnic, sexual orientation, and gender lines. (see below) It directly addresses the disproportionate impact of poverty, undereducation, and the lack of decent jobs and wealth-creation opportunities for many communities of color while also recognizing that people across the board are suffering from chronic unemployment, deteriorating wages, social dislocations, and cultural difficulties associated with the long-term decline of the middle class.

Many different theoretical models have been employed over the years to describe how we should think about a multiracial, multiethnic society—pluralism, assimilation, integration, class, multiculturalism—in addition to a host of metaphors such as the “melting pot” or a “mosaic.” Each of these approaches offers something useful in terms of a broader understanding of diversity by encouraging us to both respect social, cultural, religious, economic, and political differences and continue to search for common ground around core values that define us as a nation.

The All-In Nation description of the America that we need to build toward bridges the many different racial and economic terms that divide rather than unite us as a nation. As America becomes a place where no racial or ethnic group will be a majority of our citizens, it is essential to focus on the collective need to cultivate the talents and potential of all Americans, irrespective of their racial or ethnic backgrounds. In a nation where no racial or ethnic group will be a majority, moving past black and white, Latino and Asian, Native American and Pacific Islander enables us to craft policies in the best tradition of our American values.

The framework for guiding the development of an All-In Nation policy agenda is based on four principles, each of which is further described below:

- Equity
- Human capacity
- Good jobs
- Participation

Equity

For our nation to achieve its goal of shared prosperity, all of its people must be able to participate fully in the nation's economic, political, and civic life. In an equitable society, a person's race, ethnicity, gender, religion, sexual orientation, or ZIP code would not determine their health, income, wealth, or access to opportunity.

Equity is a moral imperative aligned with American values of equal opportunity. And as we undergo this demographic transition, equity also becomes an economic imperative for the nation. Our country's success—your success, my success, our success—will depend on the success of the growing communities of color.

Human capacity

America's economic strength now and in the future depends more heavily on human capital—the capacity of our population—than it ever has in the past. The nation simply cannot afford to waste anyone's talents or ingenuity, and our policy priorities must support a healthy and vital workforce.

Nothing is more important to the success of a diverse nation than ensuring all Americans live in safe, healthy, and engaging environments that set them up to manifest their full potential throughout their lives. Our policies need to ensure that everyone is able to learn in challenging and supportive environments from pre-K through college or vocational schooling. The benefits of investing in our growing communities far outweigh the societal costs of neglecting them, which include poverty, crime, distressed neighborhoods, unemployment, incarceration, and poor health outcomes.

Good jobs

Work is central to human dignity and the well-being of our communities. When jobs disappear, or fail to pay enough to live on, everyone suffers from a downward spiral of declining demand for goods and services, further job erosions, diminished communities, increased stress and anxiety, and rising expenditures for social protections necessary to counteract negative economic effects. An All-In Nation is sustained by policies that support full employment and living wages so that all able-bodied Americans are able to find jobs that pay enough to support themselves and their families and build wealth over time.

Participation

American democracy thrives when every citizen has an equal voice in the priorities and policies of our government and has an effective voice in the public square. Today too few voices are heard and,



Michelle Black, left, and James Patterson watch their son James, 4, center, play during a visit to Renaissance Park in Harlem, N.Y., on Tuesday, June 28, 2011.

AP PHOTO/BEBETO MATTHEWS

more importantly, listened to in day-to-day policy debates. As our nation grows in diversity, our institutions must evolve to ensure that all Americans have the opportunity to participate in our democratic processes and create a deeper policy bench of leaders representing all communities ready to step up to public service.

Conclusion

America will face serious challenges over the next few decades beyond the coming demographic shifts. The economy is not producing sufficient good jobs and rising incomes. The middle class is eroding while the ranks of the poor are growing. Our country is unprepared for increasing competition with other nations in the global economy. Our government is failing to find common ground around new solutions to these problems and too many of our elites are looking out solely for themselves and their own well-being.

America need not continue down this path of decline and division. If our nation pursues an inclusive model of the opportunity society—an All-In Nation—outlined here, Americans can both enhance individual freedom for all citizens and create a platform for mutual prosperity and national growth. The rest of this book will explore these ideas in greater detail and put forth a concrete set of policy proposals to best take advantage of our nation's rich diversity and the talents of all our people. ■



The secret to change is to focus all of your energy, not on fighting the old, but on building the new.

SOCRATES

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