Preface: The Dream at Risk

"We are all in the same boat in a stormy sea, and we owe each other a terrible loyalty."

G. K. Chesterton

If 2009 was the worst of years, 2000–2009 was the worst of decades. It was ***the decade of decline***.

It was a lost decade for American workers. The average citizen took it on the chin. There was zero net job creation. The median income and the net worth of American households declined for the first time since these figures have been tracked. Income inequality was at the highest level since the Great Depression.

In spite of this, few have come to the recognition that the United States is at war on the home front. America and the American Dream are threatened—not by terrorists but by the enemy within.

The enemy within is our inability to grasp the severity of the country's current situation and to work together to resolve it. We need to come to a fundamental understanding that America's position as the world's economic and social leader is at serious risk. We are at a critical crossroads.

2010–2019 will be **the decisive decade**. The decisions we make and the actions we take in this decade will determine the future of America and the American Dream for all of us.

Some might think that our condition is a result of the economic collapse of 2008. Nothing could be further from the truth. The meltdown made things worse. It, however, was simply the manifestation of a 3-D effect that has been pushing us toward crisis for some time.

Over the past quarter of a century, the United States has become a:

- **Deficit Nation**—We are all familiar with the country's fiscal deficit and trade deficit. There is another deficit, however, that is of equal importance in terms of the future of the country and the American Dream—a civic deficit. We have become a nation of cynics and skeptics, while at the same time, are less informed and involved in the political and social process.
- **Debtor Nation**—In the past decade, many of us went credit crazy. As a result, both businesses and consumers became substantially overleveraged. With the economic meltdown of 2008, things completely destabilized. The economy is deleveraging and moving toward a new "normal." No one can project that normal exactly. But as George Muñoz can attest to what he saw in most other countries when he was the head of the Overseas Private Investment Corporation (OPIC), "normal" for them was having a small economic elite class, a few in the middle class, and most in the lower ranks.
- **Divided Nation**—America's political system is becoming increasingly bipolar and dysfunctional. Extreme conservatives to the right; extreme liberals to the left. In between, there is little reasoned discussion or debate. This divide is being deepened and widened to almost seismic proportions by certain elected officials, talk-show hosts, media pundits, and radical ideologues who promote divisiveness and rabble rousing.

The consequence of this condition is doubt about the future—considerable doubt. Doubt about what lies ahead for us, for our children, and for our grandchildren. Doubt is neither good nor bad. How we respond to doubt matters. Who responds to doubt matters even more.

Unfortunately, as we watched the responses to the economic crisis throughout 2009, what we saw was "government as usual" and "business as usual" thinking and action. This increased, rather than reduced, America's doubt and anxiety.

In the public sector, strategic thinking and reasoning were not central to most of the debates in Washington, D.C. Too much of the focus was on promoting partisan positions. Too frequently, getting legislation passed or blocked was seen as an end and not a means. Problems and issues were looked at in bits and pieces and in isolation. The dots were not connected. There was an obsession with process and not performance.

In the private sector, most banks were hesitant to make loans—overcompensating for the excesses of the 2006–2008 time frame. All of the major financial institutions were repaying their bailout loans so that they could pay their executives substantial bonuses. Wall Street firms continued to engage in the same type of practices that put the economy at risk in the first place. The majority of businesses hunkered down, shed more jobs, and attempted to cut their way to profitability.

ENTERPRISE USA: A NEW PARADIGM

Based upon this behavior and the mediocre economic results of 2009, we came to the conclusion that what was needed was an alternative approach—a new problem-solving paradigm. We present such a paradigm in this book.

It entails looking at the United States as an enterprise. Call it Enterprise USA—a shared venture with business, government, community-based, and nonprofit organizations working together in order to revitalize all aspects of America and the American Dream. At the heart of that venture is you—the twenty-first-century citizen.

Renewing the American Dream requires a multifaceted approach including:

- Defining a twenty-first-century competitive advantage for the nation
- Redirecting government
- Redirecting business
- Renewing leaders, organizations, and individuals
- Implementing an integrated renewal process

- Implementing policies and programs that: create jobs, rejuvenate the middle class, reignite the manufacturing sector, unleash the potential of small businesses and entrepreneurs, ensure a vital news media, and advance America's role in the world.

We devote a chapter to each of these areas and make recommendations for how to accomplish those goals in this book. We also introduce a three-part Renewal Framework that we have developed for thinking about and acting upon the American Dream:

- **The American Dream Construct**—comprised of eight forms of capital
- **The American Dream Platform**—comprised of enduring promises, rules and regulations, and programs and initiatives
- **The American Dream Process**—comprised of leadership, organizational and individual renewal combined with proper preparation, involvement, and execution.

The Renewal Framework provides the organizational structure for the book and is the foundation for Enterprise USA.

The framework presents our perspective as businesspeople. It is based on our belief in facts, evidence-based analysis, and rational decision making. It is based on the understanding that the response to our nation's current situation cannot be about grand ideas, ideologies, or governmental polices or programs alone. Nor can, or should, it be the exclusive province of politicians, lobbyists, and special interests.

Our analysis and recommendations are grounded in recognition that the American Dream is a continuous journey. That journey began, and is sustained, by the contributions of individual citizens. As Adlai Stevenson once put it, "As citizens of this democracy, you are the rulers and the ruled, the law-givers and the law-abiding, the beginning and the end."

We believe this fervently. That is why we have written this book as a resource and reference guide for what we term twenty-first-century citizens—those citizens who are: interested, issue-oriented, informed, independent, and involved.

Twenty-first-century citizens are willing to stand up and speak out—not as advocates for entrenched positions or as members of political parties. They are prepared to confront doubt directly and engage in nonpartisan problem solving. As committed and collaborative individuals, they recognize that they are:

- Entitled to think
- Required to reason
- Empowered to act

The American Dream and that "shining city upon a hill" have begun to slip into the shadows. As twenty-first-century citizens, we have the capacity and the capability to revive the dream. We can not do it alone, but we can as part of a shared venture—an enterprise devoted to bringing us closer together, instead of moving us further apart.

WHY US? WHY NOW?

When the three of us first got together to talk about writing this book, we thought we were an unusual trio to be considering the task. We're not politicians, economists, lobbyists, academics, talking heads, journalists, actors, or athletes.

The more we thought about it, we concluded that this point of differentiation was one of the very things that qualified us to talk about the American Dream and its current status. We are businesspeople and citizens who are seriously concerned about the future of America and the American Dream.

We have had the good fortune to lead and work in private- and public-sector organizations. We represent some of the diversity that is America: George Muñoz—a Hispanic American. Frank Islam—a Muslim Indian American. Ed Crego—of European American heritage.

Each of us has lived the American Dream. The great thing about the United States of America is that while our stories which follow are personal, they are not unusual. They are representative of what can be accomplished in the United States of America.

- George Muñoz comes from a large family. He has 11 siblings and grew up in South Texas. He is from the boomer generation, which means that, despite his family's modest surroundings, he believed everything was possible. There is no one who believes in the American Dream more than George. He got his B.A. in accounting from the University of Texas and his law degree from Harvard Law School and a master's in public policy from the Kennedy School of Government at Harvard. After starting his legal career at Mayer Brown in Chicago, George continued his education and got his fourth college degree—a master's in taxation from DePaul University. He is such a believer in the importance of education that he served as the president of the Chicago Board of Education during its difficult years in the 1980s and pushed through "school reform" aimed at reducing the dropout rate. In 1993, he was appointed by President Clinton and confirmed by the U.S. Senate to serve as an assistant secretary and the chief financial officer of the United States Treasury Department. During Clinton's second term, George served as the president of the OPIC. George has become an internationally known business attorney, CPA, and investment banker. He also serves on a number of corporate boards, including Marriott International, Altria Group, and the National Geographic Society.
- Frank Islam grew up in a middle-class family of four siblings in India. Frank left India at the age of 15 to pursue the American Dream and to become an entrepreneur. He got his B.S. and M.S. in computer sciences from the University of Colorado at Boulder. He worked at two major information technology firms in Washington, D.C., before purchasing the QSS Group, Inc., in 1994 for $45K. Within 13 years, he took that firm from one employee to a workforce of more than 2,000 and revenues of approximately $300M. For those accomplishments, Frank's firm was consistently near the top of the INC 500, and Frank was recognized by Ernst and Young as Maryland Entrepreneur of the Year in 1999 and by the Small Business Administration (SBA) as Small Business Person of the Year in 2001. Frank sold the QSS Group

to Perot Systems in 2007 and currently heads his own investment group and a private foundation that supports educational, cultural, and artistic causes worldwide. He also serves on the advisory council to the Export/Import Bank.

- Ed Crego grew up in a blue-collar family of five boys in Streator, Illinois. Ed was the first in his family to go to college. He got his B.A. and M.A. in political science from the University of Illinois at Chicago. Ed is a serial entrepreneur. He started his first management consulting firm in 1974 and has founded or been a partner in four others. Ed's areas of specialization included strategic planning, customer loyalty, and change management. His clients run the gamut from closely held and entrepreneurial businesses to large public and private sector entities. He has written or been a contributing author of six books and has also been a featured speaker for organizations such as the American Management Association, the Conference Board, and the American Marketing Association. Ed currently heads his own consulting firm, which concentrates on helping organizations manage transitions, turnarounds, and transformations.

Our natural tendency as entrepreneurs and citizens who have lived the dream was to not want to believe that America was on a downward trend. Based upon our analysis of all of the available evidence, however, we concluded that the United States was in a crisis. What are the dimensions of that crisis?

We talked about the *decline of decline* at the beginning of this preface. Here is what we looked like as a nation at the end of 2009 as a result of that decline:

- The annual budget deficit was above $1.4 trillion and rising
- 1 out of 5 Americans was un- or underemployed
- 1 out of 8 mortgages was in default or foreclosure
- 1 out of 8 Americans was on food stamps
- 1 out of 9 families couldn't make minimum payments on credit cards

In turbulent times such as these, we would have expected our political and business leaders to come together much as they did after

9/11. Instead, what we saw was ritualistic Kabuki theatre within the Washington Beltway and inertia outside of it. We witnessed a congressional system that was highly dysfunctional and virtually incapable of doing problem solving.

We were disappointed and dismayed. We learned that we were not alone. As we talked with others, we realized that many of you shared our perceptions and concerns about America's fragile condition and the lack of shared leadership to confront it. From the UPS driver to the waitress in the coffee shop, nearly everyone we spoke with was disgruntled and disillusioned. They were all trying to make sense of the current situation, searching for answers, and looking for ways to make a difference.

This convinced us of the necessity for this book. It persuaded us that we are all in this together and that as citizens, we have the right and responsibility to speak out and to make our voices heard. We present our analyses and recommendations here. Use them as a starting point. Accept what makes sense. Reject what does not. Add your ideas and stir the pot. The important thing is that you participate.

We do not profess to have all the answers or even to know all the right questions. We do believe that it is imperative, however, for citizens to take a more proactive and prominent role in the quest for America's future. That is why we have written this book.

Although we deal with the current state of things, we don't see our work as a current affairs book. We see it, instead, as a future affairs book. It takes a hard look at where we are right now virtually in real time and sets out a course of action which we, as citizens, can embrace to participate more fully in creating the country's future in this *decisive decade*.

Our hope is that the book will advance the cause of Enterprise USA and help bring the citizen's voice to the forefront in the national debate and dialogue on the future of America. If that occurs, the American Dream will not be at risk. It will be in good hands—the hands of the American people. We are confident, beyond the shadow of a doubt, that in those hands the American Dream will prevail.

1 Competitive Advantage for the Twenty-First Century

"What's good for General Motors is good for the country, and vice versa."

Charlie Wilson, GM Chairman, 1952

The United States has stood alone atop the world stage for nearly a quarter of a century. It has enjoyed a competitive advantage on almost all fronts. Now as we stare into the second decade of the twenty-first century, America's primacy is challenged. Whether on the playing fields or battlefields, in the boardrooms or in the anterooms, nothing seems for certain anymore.

The United States has been, and still is, a champion. To stay a champion and to renew the American Dream, however, we need to win the race for competitive advantage. The race will not go to the swiftest, but to the one who understands the critical requirements for success going forward, prepares properly, and perseveres.

THE FINAL FOUR: THE INTERNATIONAL PLAYING FIELD

Every year in the third month on the calendar, a euphoric condition called "March Madness" consumes the American sports-loving public. That's the time when the NCAA selects 65 teams to compete for the national collegiate basketball title. The condition continues unabated while the competing teams are reduced to 32, 16, 8, and then, the Final Four. The condition intensifies as the field is reduced to 2, and finally ends when a winner emerges.

The lesson here is not about winning or losing but about what is required to get to the Final Four: a good coach, talented players, interdependence, discipline, a sound game plan, the ability to adjust and change the plan, and to win the game despite a change in circumstances. It struck us that the Final Four is a useful metaphor for thinking about global competitiveness, economic success, and leadership in the twenty-first century.

There are more than 190 countries in the world. About half of them are major economic players. The G-8 contains most of the top-seeded contenders except China and India. However, the real test of success is getting to be one of the Final Four. To get there, you have to prepare, plan well, play as a team, and execute to perfection.

Until about the middle of 2008, it appeared that a new Final Four was emerging for the next quarter century. America still looked like a presumptive member—although not a shoo-in. China and India had become much stronger and were looking like definite contenders. The European Union appeared to be gaining ground. Russia, with its oil and natural resources, was staging a reemergence and looked like it was becoming competitive again. Brazil was emerging as a potential challenger. In addition, smaller countries like Iceland and Ireland had vibrant economies and were shaping up as players to be reckoned with, even if they weren't big enough to make it all the way to the Final Four.

Then, the global marketplace had a meltdown and everything went up for grabs. The bad news for the United States was that we suffered greatly. The good news was that we were not alone. The meltdown was truly international—in great part because many of the international banks and economic powers were interconnected to the unregulated and improperly supervised financial practices that imploded. The sudden interruption in consumption also hurt those countries that depended on exports to America.

The better news for us is that we may be relatively more able to recover than other nations because of the maturity and diversity of the

American economy. The sad news is that countries like Iceland and Ireland may be permanently damaged. In 2009, Iceland declared bankruptcy and Ireland predicted a decline of more than 10 percent from the high point in its Gross Domestic Product (GDP).

HANDICAPPING THE FIELD

The key questions that need to be answered are: "Who will make it to the Final Four?" and "What do we need to do to ensure the United States' continued presence and potential leadership in this elite group?" We share thoughts on this later in this chapter. We should, however, also say that it's anybody's guess, and it all depends . . . In basketball parlance, it's a jump ball.

The two tables that follow present performance data and projections on some of the leading candidates for the Final Four. These data were drawn from information gathered and reported by the International Monetary Fund.[1]

Table 1.1: GDP Performance in 2008 and 2007

Country	2008 GDP (Rank) [Billions USD]	2007 GDP (Rank) [Billions USD]	% Increase 2007–2008
United States	14,264,600 (1)	13,807,550	3.31%
Japan	4,923,761 (2)	4,384,380	12.30%
China	4,401,614 (3)	3,382,445	30.13%
Germany	3,667,513 (4)	3,320,913	10.44%
United Kingdom	2,674,085 (6)	2,803,404	–4.61%
Russia	1,676,586	1,294,383	29.53%
India	1,209,686	1,102,351	9.74%

The primary conclusions we draw from this data are:

- In 2008, the GDP of the U.S. was nearly three times as much as that of its nearest competitor Japan
- 2008 was a good year for both Russia and China
- 2008 was a terrible year for the United Kingdom
- 2008 was a "so-so" year for the United States

The United States still held a relatively enviable position entering 2009. As the following table shows, though, things are projected to change dramatically over the next 5 years.

Table 1. 2: GDP Estimates 2009–2014			
Country	**2009 GDP Estimate [PPP*]**	**2014 GDP Estimate [PPP*]**	**% Increase 2009–2014**
United States	14,002,739	16,927,843	20.89%
China	8,511,092	14,437,715	69.63%
India	3,469,059	5,236,705	50.95%
Japan	4,122,547	4,906,560	19.02%
Germany	2,772,927	3,149,214	13.57%
Russia	2,145,764	2,732,434	27.34%
United Kingdom	2,159,320	2,545,696	17.89%

* PPP = Purchasing power parity calculations derived from calculations of the International Monetary Fund compiled in April 2009.

If these estimates are realized, the reality becomes the following:

- China and India will have incredible growth in GDP over this 5-year period and leapfrog to numbers two and three in terms of GDP
- Although still lagging the U.S., China will be much closer to it in GDP, and together, the two will clearly be the dominant economic forces in the world
- Russia will climb ahead of the United Kingdom
- Germany will experience very slow growth

PERFORMANCE ON THE FIELD IN 2009

That's how things stood at the end of 2008. Let's examine how things shaped up in 2009 for the potential Big Three of the foreseeable future—China, India, and the United States.

The World Bank projected a 2009 GDP for China of 6.5 percent. China's GDP grew 6.1 percent in the first quarter and 7.9 percent in the second quarter of 2009. Based upon this, as of September 2009, the Asian Bank was forecasting 8.2 percent GDP growth for China for the year.

Much of China's strong performance was attributed to a massive government stimulus package and "a surge in bank lending and vigorous fixed assets investments." As China's exports declined, it concentrated on driving growth internally. However, China still managed to topple Germany as the biggest exporter of manufactured goods. What was most astounding about China's performance in 2009 is that more cars were manufactured and sold there than in the United States. Just a few years ago, China was not projected to pass the U.S. in this area until 2025. Can this be a harbinger of things to come in other economic areas?

The World Bank's 2009 GDP projection for India was 5.1 percent. In November, India reported that GDP grew 7.9 percent for the quarter ending in September as opposed to 6.1 percent in the first quarter, resulting in the government raising its 2009/2010 GDP growth projections from 6.5 percent to 7 percent. As with China, much of this performance was attributed to government stimulus spending.

In contrast to India and China, the United States' performance in the first three quarters of 2009 was anemic. GDP in the U.S. declined 5.5 percent and 0.7 percent, respectively, in quarters one and two, and grew 2.8 percent in quarter three. As those statistics show, things were especially bleak for the U.S. at the beginning of the year.

In the period from the beginning of October 2008 through the end of March 2009, the U.S. economy went through its worst two quarters in more than 60 years. In the first quarter of 2009, business investment declined at a record pace. Domestic demand fell at the fastest rate in almost 3 decades. Exports fell at the highest rate in 4 decades while imports fell at the fastest rate in more than 6 decades. By midyear, however, things started to stabilize and an extremely fragile recovery was underway at the end of the third quarter of 2009. The American economy had an unexpected growth spurt in the fourth quarter but most of that was driven by companies replenishing their inventories. Exports strengthened somewhat but consumer spending weakened and unemployment remained high.

GOVERNMENT POLICIES AND COMPETITIVE ADVANTAGE

Given this comparative performance during 2009 and future World Bank projections, it should be obvious that the United States' position as the world economic leader is at risk. Congress, in general, does not appear to have grasped this. They seem oblivious to the fact that there is an intricate linkage between enacted government policies and the nation's competitive advantage. They are caught up in partisan debates, blame placing, and scapegoating.

The debates that are held in the halls of Congress should not be about liberal or conservative alternatives. They should be about whether the choices that are made create a sustainable competitive advantage for the United States in an increasingly competitive world marketplace. This is what will matter to us and future generations more than anything else.

To focus only on budget deficits or global alliances that can never be realized is the "silly season." The silly season aligns both parties against the nation's and the citizens' cause, which is known as common sense.

Republicans and Democrats need to find a common enemy or foe. We're not talking about Afghanistan, Pakistan, Iraq, or Iran. We're talking about economies that eventually could surpass us and reduce the United States' economic status.

Just as the nation needs a strong defense, it needs a strong offense. It can create that offense by looking at all policies in terms of whether they enable the country to maintain economic momentum in the short term and provide the basis for substantial and sustainable growth in the long term.

THE NEED TO MAKE THE BUSINESS CASE

This is the strategic approach and thinking process that the Obama administration could have taken coming into office in presenting its four major policy priorities of healthcare, education, energy, and the environment. A strong business case could have been made for the critical economic importance of each of these areas and the contribution that they would make to ensuring that the nation maintains or restores its competitive advantage.

Instead, the administration initially chose to cast those priorities more in moral and humanitarian terms, rather than applying business logic and building a broad base of "customer support" for its agenda. Let's take healthcare as an example.

The primary customers that were contacted to initiate the healthcare reform process were the insurance companies, pharmaceutical companies, durable medical equipment providers, hospitals, and doctors. The primary focus for healthcare reform was to try to get as close to universal coverage as possible. The primary designers for all of the various versions of the healthcare bills were members of the House and the Senate.

How could this have been handled differently? First, the primary customers could have been small business owners and individuals (9.1 percent of the insured population) who provide their own coverage. Both of these groups pay significantly higher premiums for comparable insurance than large organizations and those with group coverage. (For example, a small business pays 18 percent more for coverage of its employees than a large business.) These groups could have been assured that reform would cut their costs and bring them to parity. Their buy-in could have created an interested and motivated constituency to support health insurance reform.

Second, the primary focus could have been placed squarely on improving quality while decreasing cost. It is estimated that between 100,000 to 200,000 Americans die every year because of preventable medical errors in hospitals. Taxpayers pay $50 billion per year to cover Medicare recipients in the last 2 months of their lives. The World Health Organization ranks the United States as thirty-seventh in terms of the quality of healthcare provided as a country. In 1970, we spent $75 billion on healthcare. By 2008, that had mushroomed to $2.2 trillion. The United States spends twice as much per capita ($7,129) on healthcare as any other country.[2]

Third, the White House could have taken the lead in proposing its strategic plan and solution for the healthcare cost problem. It could then have made the business case for it to both the members of Congress and the American public.

Unfortunately, that's not what happened. No comprehensive and convincing plan or marketing and sales message was created or communicated to persuade the average citizen of the facts and to connect emotionally with them in a way that would rally their support. In the absence of that, discussions on death panels and pulling the plug on granny dominated in the media. No one understood the public option, and it became a synonym for socialized medicine.

As a result, the healthcare bill debate dragged on endlessly with virtually the same points being debated over and over again. It reminded us of the movie *Groundhog Day*.

The House passed its version of the healthcare bill in November 2009. The Senate finally got a bill out on Christmas Eve of the same year. In January 2010, Democrats were shuttling back and forth from Capitol Hill to the White House, working at a feverish pitch to bring a healthcare bill forward for passage. Senator Harry Reid opined that a bill was imminent. Then, on January 19, an election was held in Massachusetts to replace Ted Kennedy as the senator from that state. Scott Brown (R) beat Martha Coakley (D) for Kennedy's seat. All bets were off and healthcare went up for grabs.

In response, the president focused on healthcare in his State of the Union address. He convened a summit to discuss it. The White House drafted its own version of a healthcare bill for consideration. The president lobbied the Hill to persuade moderate Democrats to vote for the bill and took to the road to build public support for it. The bill gained some momentum because of Anthem Blue Cross of California's request for a 39 percent increase in premiums for 2010 and the huge 2009 profits announced by Anthem and several other insurance companies.[3]

The result was that in the week of March 22, 2010, the healthcare reform legislation was passed along party lines. One part of the journey was completed. The more important one was about to begin. Republicans in Congress immediately proclaimed that they would campaign to repeal the bill and attorney generals (mostly Republican) from more than a dozen states filed suits saying the legislation was unconstitutional.

It seems unlikely to us that the healthcare bill will be repealed or declared unconstitutional. Therefore, the challenge ahead of the nation in healthcare in this decade will be to take that bill as a foundation and directly address the two root causes of our healthcare crisis: out-of-control costs and poor quality.

This bill did not deal with either of these causes adequately. In the week the legislation passed, *The New York Times* ran a lead article in its business section on March 22 titled, "In Health Care Reform, Boon for Hospitals and Drug Makers."[4] And, the April issue of *Harvard Business Review*, which was released in mid-March, contained a section titled "Spotlight on Fixing Health Care."[5] That section included a graph titled "Premium Price, Poor Performance" and highlighted the following statistics:

- 55 percent—the chance of receiving care in the United States that meets generally accepted standards
- 25 percent—the decrease in inpatient mortality from community-acquired pneumonia after the implementation of a standard protocol
- 50 percent—the estimated amount of healthcare spending that goes toward unnecessary bureaucracy, duplicative tests, and other waste

The healthcare bill will expand coverage and may reduce the health insurers' bottom line somewhat but appears designed to do precious little in the areas of cost and quality. So, in our opinion, when it comes to healthcare reform—the song, "We've Only Just Begun" comes to mind. Real reform will come only when we bend the cost curve down and the quality curve up. That's what the business case for the remainder of this decade—now that there is something to build on—must be all about.

We know that one senator gets the need for making the business case for healthcare reform—Mark Warner (D-VA). Shortly after the Senate voted to debate the healthcare bill on the floor of the Senate, he sent out an e-mail to supporters stating, "If we do not work toward real healthcare reform, families will face rising premiums, employers will remain at a competitive disadvantage in the global marketplace, and federal budget deficits will go from bad to worse." Warner promised that along with colleagues, he would introduce amendments "focused on bending the cost curve and delivery system reform." We agree completely with the need for this type of approach, and that is why we advocate so forcefully for it here.

Just as with healthcare, there are comparable analyses that could, and should, be done on education, energy, and the environment. Competitive advantage should be central to all of the future plans that are advanced in these areas.

THE NEED FOR ADDITIONAL PRIORITIES

It's not just about making the case for the policy priorities. It's also making sure that they are the *right* priorities handled in the *right* way and in the *right* order.

In this regard, we feel that the healthcare debate and the stimulus bill caused us to take our eye off the ball on what should have been the top priority from the beginning of 2009—jobs. That may sound like Monday morning quarterbacking, but we are comfortable saying it because that is the recommendation that we were on record providing well before January 2009.

We've shared our perspective on the problems with the approach to healthcare. Let's turn our attention next to The American Recovery and Reinvestment Act of 2009 (ARRA, or the stimulus bill).

Our major criticism of the stimulus bill is that it had everything in it but the kitchen sink. That's because the bill was crafted around existing government departments so it conformed to the structure of government instead of the underlying economic crises or their root causes. As a result, the bill had lots of lightbulbs, but there was no tree.

The bill was not meant to be a strategic solution to the economic crisis or make us more competitive globally. The ARRA was intended to stimulate, and it appears that it did. The conventional wisdom from a wide array of economists as 2009 drew to a close was that the stimulus made things better, rather than worse, and saved jobs.

One calculation of the jobs saved or created by October 30, 2009, as reported by recipients and the Bureau of Labor Statistics (BLS), was 640,000. The Council of Economic Advisors estimated that jobs saved or created by the end of the fourth quarter "raised employment to what it otherwise would have been by 1½ to 2 million."[6] Neutral economists agreed that the bill saved or created jobs—but their estimates were more in the one million to 1½ million range.[7] We should note that "jobs saved" is an interesting metric but not one that's in the standard set employed by the BLS.

The problem is that these economists—as they frequently do—were answering the wrong question. The right question is "What would have happened in the economy if Congress had passed a massive jobs bill at the beginning of the year—say, one devoted to putting 3–4 million citizens to work in 2009—instead of a stimulus bill where jobs and money trickled out?"

We don't have a crystal ball, but we do have business experience and insights to draw upon. Our assessment is that we would have been much better off with a jobs bill, rather than a stimulus bill. That is why we advocate so strongly for such a bill in Chapter 4 of this book. It is also why we devote chapters to five additional short- and long-term priority areas that matter for creating competitive advantage: (1) manufacturing, (2) small business and entrepreneurs, (3) middle income, (4) media, and (5) the world.

We are not saying that education, energy, and the environment do not matter—they do. But they must be addressed as part of an integrated and appropriately prioritized response and as the basis for a competitive advantage, and not as a series of independent policy or legislative initiatives.

THE CRITICAL NEED FOR A DEFICIT AND DEBT REDUCTION PLAN

The U.S. deficit has exploded. The budget deficit for the fiscal year that ended on September 30, 2008 was $459 billion. By the end of the fourth quarter of 2009, the deficit had ballooned to $1.4 trillion. That's almost a tripling in 1 year. As a result, at the beginning of 2010, the official debt stood at $12.3 trillion. In addition, there were another $40 to $50 trillion in debt for unfunded off-balance-sheet obligations for programs such as Medicare and Social Security.[8]

Part of the growth of the deficit was attributable to the fact that President Obama put the Iraq and Afghanistan wars on the books—the prior administration had kept them off the balance sheet. The other part was primarily attributable to the money spent on the stimulus bill and the bailouts of all types from Wall Street to Motor City to Main Street.

Needless to say, as businesspeople, we don't consider the deficit a good thing. Unfortunately, given the country's current economic need, it is necessary and unavoidable. Deficit reduction must be an absolute. It, however, must be handled with extreme care and in a planned manner to avoid the unintended consequences of creating larger deficits by taking actions that reduce future revenues by an amount greater than expenses are cut.

The bipartisan Committee for a Responsible Federal Budget (the committee) understands this. It cautions that now is not the time to tighten the deficit reduction knot when it writes, "Under current conditions, however, it makes no sense to withdraw aggregate demand until the economy is stronger. Economic growth and the financial sector are expected to be weak for the next few years as recovery takes hold. As the '1937 lesson' of the Great Depression in the United States illustrates, fiscal and monetary policy can be tightened too soon following a financially crisis-induced downturn."

The committee offers six lessons based upon its examination of deficit reduction strategies that countries worldwide have employed over the past 30 years. They boil down to two key factors:

1. Put a deficit reduction (fiscal consolidation) plan in place as soon as possible
2. Phase that plan in gradually

The committee pointed out that public debt was 55 percent of GDP in September 2009 and that without significant adjustment, would go to 87 percent by 2020 and 181 percent by 2035. It also noted that "The International Monetary Fund recently called the U.S. situation 'unsustainable.'"[9] By early 2010, a variety of approaches were being recommended to deal with the deficit and debt problem, and it seemed that some type of plan would be put into place within the next year or so.

In his FY 2011 budget, the president called for balancing the primary (noninterest) budget by 2015 and stabilizing the debt-to-GDP ratio by the end of the decade. The bipartisan Peterson–Pew Commission on Budget Reform set out a six-step proposed approach that would "require significant policy changes and raising taxes and cutting spending." Its recommended steps would result in stabilizing the debt by 2018.[10]

Conservative Congressman Paul Ryan (R-WI) presented a radical alternative to the Pew–Peterson Commission and the president's approaches in his Roadmap for the American Future. The center lanes for Ryan's "roads" included capping government spending and major changes to Social Security, Medicare, and Medicaid tax policy, including actively promoting the privatization of Social Security for future generations.[11]

Finally, David Walker, former comptroller general of the United States, provided a number of excellent ideas for addressing America's fiscal problems in his book, *Comeback America: Turning the Country Around and Restoring Fiscal Responsibility*. These include saving Social Security through means such as wage indexing and modest reductions to cost-of-living adjustments and collecting revenue more fairly by establishing some type of consumption tax and rationalizing the corporate tax structure. Walker's unique contribution was calling for "work on an agenda of transformational reforms" in three major areas: national defense, government, and fixing our dysfunctional democracy."[12] We agree with Walker's call to action in these areas.

We also agree with the IMF and the committee that the present course is unstable and unsustainable. That is why we propose later in this chapter that a deficit reduction plan be incorporated as a central element in a Twenty-First-Century Competitive Advantage Plan for the United States. That plan must be structured carefully to avoid putting the brakes on too quickly and thrusting the economy into a tailspin, which would destroy any chance of ever reducing the budget deficit or the nation's debt. In our opinion, however, that's only half of the battle.

THE CRITICAL NEED TO REBUILD THE OPPORTUNITY SOCIETY

Addressing the budget deficit and debt is necessary, but it's not sufficient to create the basis for a twenty-first-century competitive advantage. Serious and equivalent consideration must be given to what needs to be done to build a vibrant and growing national economy that enables individuals and entities to generate the level of revenue required to correct this problem.

Our concern is that the deficit and debt reduction issues will be studied in isolation. Aggregate and large-scale assumptions will be made about revenue. A scalpel and micrometer will be employed to make cuts in expenses. Little to no attention will be paid to factors related to the nation's ability to grow and how that growth translates into individual wealth generation or well-being. Making this conversion is what has enabled the United States of America to become the "Opportunity Society," which provided the economic basis for the "American Dream." (For more on the current status of the Opportunity Society, see Chapter 5: The Middle Class Matters in this book.)

GDP is the broad measure that is typically used to look at a country's economic growth. It can be defined simply as the total value of the output of a country's goods and services. Conventional economic theory is that as GDP goes up, unemployment goes down, and the standard of living goes up. As the United States' GDP improved in the last two quarters of 2009, that didn't happen, and it appears it may not happen in 2010 or anytime in the near future.

Economic theory is having a difficult time explaining this. The United States is experiencing a jobless recovery, wage deflation or stagnation, and a situation in which income inequality in the country is at its highest level in recorded history. We believe that these are issues and areas that must be addressed as part and parcel of putting together a Twenty-First-Century Competitive Advantage Plan.

Therefore, at the same time projections are being made about future GDP growth, we need to examine and project the impact of that growth on future Individual Economic Well-being (IEW). This is because while there may be a strong correlation between GDP and the general economic conditions of a country at the macrolevel, there can be very little at the micro- or individual level.

There are a variety of reasons for this, including the facts that GDP was never intended to function as an indicator of well-being, and GDP is insensitive to the distribution of income within a country.[13] As Nobel Prize-winning economist Joseph Stiglitz puts it, "No single measure can capture what is going on in a modern society, but the GDP measure fails in critical ways. We need measures that focus on how the typical individual is doing (measures of median income do a lot better than measures of average income) . . ."[14]

If we want to maintain America and the American Dream, we need to develop economic measures for the twenty-first century that examine these connections and build the crosswalk from a nation's overall productivity and output to the individual economic well-being of its citizens. We are not economists. So, we are not professionally qualified to do this. It does not take an economist, however, to know that it needs to be done.[15]

Economists need to continue to study and help us to make new inferences and develop insights on the interrelationships between growth in GDP and IEW. Economics does not create jobs or improve the human condition directly. However, data from economic studies can be used by government and business decision-makers for that purpose.

Our economy can be restored by these leaders and hardworking Americans if given the chance. That chance derives from building a competitive advantage for the nation and its citizens. That is why we advocate the need for incorporating a sophisticated IEW analysis and projections into the work of the National Global Competitiveness Commission. If this does not occur, the result, as the old joke goes, may be: "The operation was a success, but the patient died."

SWOT OR BE SWATTED

The real question is "Where do we go from here?" No one can predict with any accuracy when and how the economic turmoil will end for the United States or for its primary competitors. What can be predicted is that things will look very different for all economies for a very long time. To stay or break into the Final Four, a nation will have to be able to prepare and respond to those differences.

Part of what businesses are doing to decide how to maneuver through this minefield is conducting strategic assessments employing what is known as a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats). Applying the Strengths and Weaknesses component of that approach to the United States, we can see what strengths we can leverage and what weakness we must eliminate in order to secure competitive advantage.

In April 2009, Harvard Business School Professor Michael Porter identified a number of "core" strengths and weaknesses for the United States, including those listed in the table that follows.

Table 1. 3: United States Strengths and Weaknesses Analysis[16]

Strengths	Weaknesses
• Innovation: science, technology, R&D • Entrepreneurship • Free and open competition • Capital markets (uncertain) • Economic decentralization • Dynamism and flexibility	• Human resources challenges: the need to restructure public education, access to higher education • Distortions in the international trading system • Falling U.S. leadership in international economic development • Weak transitional "security blanket" • Retraining system • Pension security • Health insurance access and mobility • Unnecessary costs of doing business • Burdensome regulations • High cost/high complexity tax system • Energy inefficiency • High healthcare costs

The American Competitiveness Council pinpointed four key weakness areas for the United States to address to compete effectively in the future:

1. Talent/Skills—The largest number of job openings over the next 10–15 years will be in middle-skilled jobs.
2. Investment in Research and Technology—Federal investment in scientific research is at its lowest level in 50 years.
3. Infrastructure—$1.6 trillion will be needed to bring infrastructure—roads, bridges, schools, the electric grid, telecommunications—to a good condition.

4. Energy—Today, 80 percent of the world's oil reserves are owned by national oil companies; Americans consume on average almost five times more energy per capita than the worldwide average.[17]

We would add the following additional strengths and weaknesses to this group.

Table 1. 4: United States Additional Strengths and Weaknesses

Strengths	Weaknesses
• Small businesses • American democracy • Free news media • Capital markets (uncertain) • Citizen initiatives • World leadership	• Growing undereducated minority underclass • Shrinking middle class with less disposable income • Declining capacity to manufacture cutting edge products • Dysfunctional Congress • Media outlets focused on "reality shows" that are less real and informative than those a civil society requires. • Multinational corporations with agendas that conflict with that of the nation

Even with our additions, the list of strengths and weaknesses is not exhaustive. They do, however, provide a starting point for initiating the type of planning that will be required to achieve competitive advantage in the future.

RENEWING AMERICA'S COMPETITIVE ADVANTAGE RECOMMENDATIONS

Historically, the United States has been a planning-averse nation. Through a combination of factors, we have made that aversion work for us through the second half of the twentieth century. Part of the reason for that success was the incredible growth spurt fueled by government programs and policies after World War II. Another part was the collapse of communism in the mid-1980s and a relatively weak field of international competitors for almost a quarter of a century thereafter.

That was then. This is now. Major international competitors have upped the ante and are moving toward parity. We can either ignore this or recognize that what got us *here* will not get us *there*. We prefer the latter alternative and recommend a three-pronged approach for enhancing the nation's capacity for doing strategic and transformational thinking and planning for competitive advantage:

Competitive Advantage Primary Recommendation

1. Establish a National Global Competitiveness Commission to develop a Twenty-First-Century Competitive Advantage Plan for the United States

Competitive Advantage Subsidiary Recommendations

2. Form Regional Competitiveness Councils to piggyback on the national plan and to develop regional solutions
3. Encourage enhanced local economic development and competitiveness planning

Our primary recommendation follows. The subsidiary recommendations are presented in the Appendix to the book.

1. Establish a National Global Competitiveness Commission to develop a Twenty-First-Century Competitive Advantage Plan for the United States.

The National Global Competitiveness Commission should be a commission similar to the 9/11 Commission in its bipartisan nature and the unfettered scope of its reach, but different from the commission in its composition. The task force should be nonpartisan, not bipartisan. Its members should be drawn from national leaders with expertise and experience in business, politics, government, civic and community service, and academia. The task force should be led by representatives from the business, civic/community, and governmental sectors. While it should include a few former elected officials, they should be a minority of the membership.

The charge to the task force should be to conduct a thorough and in-depth SWOT analysis and strategic assessment of the United States' current position, and to develop a comprehensive competitive advantage strategic plan for the U.S. At a minimum, that plan should clearly spell out a vision, goals, strategies, strategic action programs, implementation requirements, facilitating factors, potential obstacles or barriers, and critical success factors. The plan should include a budget and cost-benefit analysis for its implementation. It should also include a phased-in approach for reducing the deficit (fiscal consolidation) by a fixed percent per year before the end of this decade. The deficit reduction plan should be developed based upon a review of competing perspectives, such as those provided by the Pew–Peterson Budget Reform Commission and the Center on Budget and Policy Priorities.[18] Finally, the plan should present GDP and IEW projections, along with the assumptions underlying them.

Sufficient time should be spent to do the planning right, meaning 18–24 months. The commission should present its plan to various stakeholder groups, such as the government, U.S. Chamber of Commerce, the National Association of Manufacturers, small business owners, and labor representatives for review and comments. The final plan should be provided to the president and U.S. Congress for consideration and action.

The commission should be paid for by a mix of public and private funds. It should also solicit volunteer-contributed time to assist in the research and analysis from organizations such as businesses, consulting firms, universities, and civic organizations.

The commission will not have to start from scratch. As we noted earlier in this chapter, the Competitiveness Council has done excellent work and analyses that can be used as a starting point. Other groups of all stripes and persuasions, such as the Heritage Foundation, Cato Institute, the New America Foundation, Center for American Progress, Brookings Institution, the American Enterprise Institute, the United States Business and Industry Council, the Center on Budget and Policy Priorities, and the Economic Policy Institute have also done studies of merit. This full body of work should be reviewed and considered as input by the commission in the analysis phase of its planning.

You might argue that our elected officials already are doing this planning when they write laws or develop policy. Unfortunately, nothing could be further from the truth. A law is not a plan. A policy is not a plan.

Moreover, as we note later in the book, Congress is understaffed and frequently has to depend on lobbyists and think tanks to do its primary and secondary research. Those groups have agendas. They are hired guns for their cause, as they should be. When it comes to an issue as critical as the future of this great nation, we adamantly believe that we need more objective and neutral data. We need real strategic planning and foresight. Professor James Galbraith from the University of Texas makes an excellent case for this:

> *". . . Because markets cannot and do not think ahead, the United States needs a capacity to plan. To build such a capacity, we must, first of all, overcome our taboo against planning. Planning is inherently imperfect, but in the absence of planning, disaster is certain . . . At this juncture in history, the United States needs to come to grips with its position in the global economy and prepare for the day when the unlimited privilege of issuing never-to-be paid chits to the rest of the world may come to an end."*[19]

In early 2010, President Obama appointed a National Commission for Fiscal Responsibility and Reform headed by ex-Senator Alan Simpson (R-WY), and Erskine Bowles, former White House chief of staff for Bill Clinton, to take an in-depth look at the country's deficit and debt problem. This was an important and essential action. But, it is an insufficient response to the nation's situation because it deals primarily with the expense side of the equation. We need a holistic plan that positions the United States and its citizens for success going forward. If there is one lesson that we should remember from the Great Depression, it is that premature deficit reduction retards growth and recovery and can lead to a double-dip recession.

While the past decade was one of economic decline for the United States, it was one of significant growth for China, India, and Brazil. The United States can ill afford for this decade to be the same. Given the new world realities and the country's delicate condition, the United States can not depend on the "invisible hand" to solve its problems. It must take things into its own hands.

In his State of the Union address, President Obama acknowledged that he understood this requirement when he stated, "Well, I do not accept second place for the United States of America. As hard as it may be, as uncomfortable and contentious as the debates may be, it's time to get serious about fixing the problems that are hampering our growth."[20] It is time to get serious. It is time for the president to rally and challenge each and every one of us to the common cause of doing our personal and collective best to win this worldwide competition.

Creating and maintaining the United States' competitive advantage for both the short term and long term requires doing the right type of planning and teamwork at all levels. It also depends on the ability to execute and the will to persevere. These are themes that we will repeat again and again throughout this book as we address the essential areas and actions for creating Enterprise USA and renewing the American Dream.