

The Revitalization of America

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Introduction

It is not who wins on November 6, but how will that person lead over their four year tenure. We were given a heads-up by Walt Whitman and Mark Twain, the people of America were handed two great gifts in the form of natural beauty and natural resources. Since the 1609 visit of Henry Hudson we have managed to pollute the environment, and spoil many tracts of land. During this time period we as a country have also managed to get through the Great Depression, along with many recessions, which is a testament to the mettle of the American people. Republicans and Democrats must remember that they are on the same team, and not opposing forces because as of late, the latter seems irreversibly in control. This report is meant to be a solutions document and is not focused on blaming Democrats or Republicans for the long-term malaise currently afflicting our nation. It is meant to help our elected officials in solving problems and building a stronger foundation for future generations.

The Report

This report was created for the benefit of the American people. It has been structured so our government officials at the federal, state, and local levels can better work with the private sector to modernize America, while creating millions of well-paying long-term jobs in the process. While the members of the writing team have had their works published by many well respected venues, the goal of this report is not to garner media attention, but to provide solutions to problems that America currently faces on the economic front.

We view The Revitalization of America as an embodiment of the spirit of the original Work Progress Administration (WPA), and the objective of this report is to leverage new technologies, so the new plan conforms to the technological mindset of the 21st Century. It must be made clear from the start that this work is bi-partisan and does not favor any political agenda. The true value of this report may be in its ability expose some “Possible” ideas to solve problems. The word possible is used because we do not presume or pretend to have any set of final answers. Now is the time for America to focus on a new plan to lead our nation through the 21st Century. It is also the time for our public and private sector leaders to join together in order to usher the way forward, so future generations can prosper.

Forward

Rather than creating a recipe for disaster by biting off more than we could chew, our team decided to focus on four key topics that include Transportation, Federal Reserve, Education, and Job Creation. We decided to leverage prior large-scale works like *The California Landscape 2011* (Transportation), along with the transportation presentation for the AOL Government broadcast as foundation pieces for the Transportation section of this report. It would be presumptuous on our part to try to cover all of the salient points pertaining to the American economy, so we have tried to focus on topics where we have published books, reports, and articles that touch the lives of each and every American.

Transportation

The importance of the role of transportation in our economic system is often overlooked. The methods with which citizens are mobilized have been central to human development since the beginning of civilization. Mobility dictates where people can settle, survive and thrive. Transportation breakthroughs have allowed humans to populate all parts of the globe, transport natural resources, trade with peoples from around the world, explore all parts of the galaxy and universe, and accomplish many other feats once thought to be impossible. Along with the advent of the internet and mobile technology, it is transportation that has shrunk the world, and forever changed the global economy. We must not forget the significance of these developments nor be content with transportation in its current state.

From cross-country railroads to the mass production of the automobile, to air travel, to the national highway system, historically, Americans have been ahead of the game. We created and perfected systems that changed the way humans think, live and do business. We were pioneers in both automobile and locomotive systems. However, in recent decades we have fallen far behind other developed nations who have developed high-speed rail systems, and have shrunk urban environments through the use of better, more efficient growth processes and urban transit systems. No doubt our lack of innovation has complicated our problems during these tough economic times.

The revitalization of America will require a re-commitment to transit growth and development on both the regional and urban levels. Not only will an increase in development lead to better mobility for residents and visitors, but it can also be a source of employment for hundreds of thousands of Americans, if tackled at the right scale. We can essentially employ ourselves and pay ourselves to make our country a better, more fluid environment. Furthermore, our dependence on foreign oil, due to the overuse of the automobile is helping to add to our economic woes. New transit developments will have almost completely positive outcomes, such that members of both political parties should be able to see eye-to-eye on the benefits thereof.

The Possible Job Creation Factor

It is no secret that high rates of unemployment and low rates of job creation and economic growth are a major source of worry for millions of Americans. However, few are looking to transportation development as possible source to combat these issues. Because public transportation projects, such as light rail systems in urban areas, and high speed rail lines designed to shrink large regions are such large-scale projects, that they bring with them the potential to add both short-term and long term positions. Jobs

created by such projects would include, but are not limited to: engineers, architects, construction workers, maintenance employees, urban planners and designers, project managers and administrators.

From the designers that are responsible for starting new public transit plans to train and bus operators and security personnel, each project could potentially employ thousands of workers. If public transit systems are developed in major metropolitan complexes, as well as regional projects connecting states and cities, jobs could be added in dozens of markets across the country, as most areas would undoubtedly benefit from improved or expanded transit networks. Not to suggest that transportation jobs are a fix to the country's economic woes, but they can assist in adding meaningful, well-paying opportunities to a workforce that is severely lacking in options.

By designing systems that combine such new projects with overdue projects for rebuilding and renewing the aging transportation infrastructure, the demand for new materials that can be used in both kinds of projects, along with self-diagnosing nanotechnologies can drive tremendous growth of jobs.

Recently completed and developing projects in California can help provide examples of the scope of job creation that can result from a reinvestment in urban and regional public transportation projects. The Expo Line light rail project in Los Angeles completed Phase 1 in the Spring of 2012, which employed thousands of workers, creating well-paying long-term jobs throughout the construction process, as well as a number of permanent maintenance and operations positions. In addition, the Los Angeles County Metropolitan Transportation Authority ensured that many of the jobs created were filled by local employees by mandating that 30 percent of positions must be filled by workers who lived within a certain radius. This is sound policy, ensuring that the investment of these local funds will be re-cycled in the community. The project subcontracted many companies included 108 small businesses, 71 of which were local businesses. So not only are local employees being utilized, but local small businesses are being strengthened, as well. This shows how smart policy can stimulate the rising tide that raises all boats, even including yachts.

The Federal Government has recently approved the start of construction for the California High Speed Rail Line. This massive project will stretch approximately 800 miles and include up to 24 stations; it will also add thousands of jobs in the state, many which will be long term or permanent. Early estimates assert that as many as 100,000 jobs will be sustained per year for each year that the rail line is in its development stages. In addition to those jobs, and the permanent operations and maintenance positions, the economic development that is expected to result from the line is projected to add up to 450,000 new permanent jobs in industries such as retail, dining, and other services. The bottom line is that re-investment in transit has the potential effect of sparking positions from multiple sources, specifically including:

- 1.) Short-Term and Long-Term Construction-Based Jobs**
- 2.) Permanent Maintenance and Operations Positions**
- 3.) Permanent Jobs & New Businesses resulting from Economic Growth and Expansion that result from New Transit Hubs.**

Improved Functionality of Urban Centers

Many large U.S. cities lack the character and urban design of the global world-class cities, due to functional problems. Many metropolitan areas in the United States were not designed for people; they were designed for automobiles. With the saturation of cars in many cities, less than ideal traffic conditions have added to the already-compounded stresses of everyday life. A large number of commuters spend an extended amount of time in their cars each day, each of them dreading the morning and evening rush hours. If we are able to improve the public transportation systems and network these heavily-trafficked regions, we can not only decrease automobile traffic, but also provide feasible transit alternatives to commuters who are open to using reliable transit options. Many people are looking for a way out of their automobiles, but they currently have no viable alternatives.

It is important to stress the practicality of public transit systems. For example, the subways and light rails connect to one another, as well as to bus systems, taxi corridors, streetcars, passenger trains and other forms of transportation to allow for fluid movement throughout the region. These transit systems must be well-planned, considering existing corridors, local geography, and the density of residential and commercial development. Commuters must easily be able to transition from local systems to regional ones, thus county transit commissions must cooperate and coordinate with city transit authorities. After all, building only one transit line from a densely populated point A which can muster the necessary votes to another such densely populated point B won't help residents who live or work in less densely populated points C, D, and E even when they are in the same general region, county or municipality.

Many cities have systems that were haphazardly planned in the fashion described, and now have many decaying deficits to fill. Systems should be planned well in advance to connect to airports, city centers, entertainment venues and other regional points of interest.

Cities were created as major settlements where people could live, work, play and feel safe. However, over time our urban centers have been faced with problem after problem from crime to the loss of jobs and development to lack of open spaces and entertainment options. Residents are often forced to make long commutes for work and

recreation, and many people are unable to make commutes, and thus are unemployed. Re-investment in our cities relies on re-commitment to transportation that will also engender demand for neighborhood renewal. Transit-oriented development and mixed-use neighborhoods are central to restoring the livability of our metropolitan areas.

Increased Quality of Life

When the first cities in America were designed or grew up in geographically advantageous locations, they were created for people. They were very walkable or horse-cartable; they had to be, considering that was the main mode of transportation for most citizens. There were a lot of mixed-use developments, meaning people would live right around the corner, or sometimes in the same building as their places of employment. Many downtown areas are re-implementing these concepts. Public transit is a key component of building livable communities in urban environments, as streetcars and light rails are linking dense nodes with key corridors, making transportation within urban centers easier and less haphazard.

We have to think about how to increase practical mobility because creating transit-oriented development leads to increased walkability, and forge a sense of community lacking in more heavily populated areas. After all people are more likely to interact with one another if they are on the train next to each other, than if they are sitting in adjacent cars sitting on the freeway.

The majority of urban planners believe that cities that have well-planned transit hubs and mixed-use development experience an increased overall quality of life. Residents have more pride in their cities, and also have increased mobility. In addition, increased walkability also results in health benefits. Medical studies show that people who walk 30 minutes a day just three times a week are much healthier than those who do not. Some of the most prevalent diseases in the U.S. are related to obesity and heart disease, which can be improved by daily exercise.

Furthermore, most people are spending far too much time in their cars. Many workers have long commutes, and many with "short" commutes are still spending hours waiting in traffic that could be spent at home with their families or on leisure activities. It is no secret that excessive hours on crowded highways and roads result in mental stress as well as physical wear and tear on the body. Urban transit options provide alternatives for those who would rather ride than drive, while also potentially reducing congestion for motorists by taking cars off of the road.

High-Speed Rail and the Future of Transportation in America

Americans have been toying with the idea of high-speed rail for quite some time. But while we have been brainstorming, and fighting amongst ourselves about the feasibility and the perceived need for such systems, European and Asian countries have built regional networks of rails that travel 200 to 300 miles per hour. The construction of high-speed rail in America would simply put us where we should be: on par with the rest of the world. The developing California High Speed rail is expected to travel up to 220mph, allowing riders to travel between Los Angeles and San Francisco in 2 hours and 40 minutes (a 400 mile trek that takes 6 to 7 hours by car). In a tough job market, it would allow professionals to seek employment outside of their normal radius of potential employers. High-speed rail opens up new transit options previously limited to air travel.

The debate against high speed rail is that some argue that the focus should be on developing local transit options. And while local transit is of utmost importance, this shouldn't be a question of either/or, rather it should be an answer of both/and. Many are afraid of the scope of high speed rail. Undoubtedly the development would be the largest transportation project since the national highway system was built in the 1950's. The highway system was a much larger overall project, yet it was necessary, as is high speed rail. We must budget for this operation and ensure its completion within the next decade.

The future of transportation in America must also be centered upon the development and expansion of public transit systems in urban environments, including light rail systems, bus lines, subways, and street cars. Not every development of course should be new construction. An integral part of transportation should be improving and perfecting current systems. For example, many cities have sub-par bus lines that run only periodically, are unreliable, and have confusing routes and are not cost efficient for their Transit Authorities. These systems should be updated with electric or hybrid vehicles, and well-planned routes and schedules that truly cater to riders. Ameliorating current systems can also lead to new jobs if governments are willing to invest in the future of transportation.

They may, perhaps need to be reminded that an investment in the future of their transportation systems isn't just a high-minded ideal that sounds nice but isn't feasible, it is an economic necessity and we must keep making this argument until it is understood as a requirement for all our futures.

Public opinion must be an integral part of transit development in the 21st century. In an age where everyone has a voice through the internet, policymakers must understand the value of the voice of local residents. The best policy option isn't always the "most feasible" or the "most economically viable." Often taking the easy way out or

quick-fix options end up back-firing on communities and regions and costing much more than taking the right decision in the first place.

It is important to consider all options, especially in dealing with transit lines. For example, transit authorities must often decide between above-ground light rail systems and underground subways. The public must be included in these decisions: will communities be destroyed by construction? Will business and commerce centers be torn apart unless underground options are taken? Will the selected alternative allow for future population growth?

Our cities and communities will never be static. They are constantly changing and re-shaping, as are most elements of our environment. We must understand the importance of transportation in our world. Our transportation systems must grow with us. Facilitating their growth allows transportation to serve us, and in turn it promotes our expansion as well: the expansion of our economies, the expansion of our development, and the expansion of our possibilities. Investment in transportation is investment in our future.

The New Super Federal Reserve

Regarding the U.S. landscape, Quantitative Easing, Quantitative Easing Two (QE2), and Operation Twist are simply Federal Reserve buy-back efforts circumventing the housing market from falling off a cliff and preventing the overall economy slipping back into recession. While these efforts have been very successful in holding down interest rates on instruments such as the 10 Year Treasury, along with fixed 15 and 30 year mortgages, they have not had a dramatic effect on creating new jobs. Case in point: While estimates vary (14 to 20 million unemployed), America is currently in a rough patch regarding employment. Millions are currently unemployed and millions more are about to lose their unemployment benefits, which is a clear indicator of the malaise concerning this critical sector. As a result, more needs to be done in order to spur job growth and an expanded Federal Reserve or “The New Super Federal Reserve” could be up to the task. This will not be just the same old Federal Reserve, but one where the Chairman will have additional tools at their disposal to make a more profound impact on the economy.

The Old & The Current

The Federal Reserve was created in 1913 by the Federal Reserve Act with three primary objectives regarding monetary policy that include employment, prices, and long-term interest rates. In relation to structure, the Federal Reserve is comprised of a Board of Governors (7 members appointed by the President and confirmed by the Senate to serve 14 year appointments), the Federal Open Market Committee (FOMC), and 12 regional Federal Reserve Banks (Atlanta, Boston, Cleveland, Chicago, Dallas, Kansas City, Minneapolis, New York, Philadelphia, Richmond, San Francisco, and Saint Louis). Standing at the head of this entity are the Chairman and Vice-Chairman who are chosen by the President from the sitting Governors for four year terms, which also mandate Senate approval.

The Federal Reserve has been trying existing options and hoping as of late that our economy improves on its own driven by key sectors such as manufacturing. However, while it has undertaken numerous efforts since the start of the Great Recession, we as a country still have millions currently out of work. In reality, the Federal Reserve has a limited and antiquated toolset. Regarding recent efforts, Quantitative Easing Two (QE2) was a Federal Reserve 600 billion dollar program meant to lower interest rates, and spur job growth.

From a simplistic point of view, if the Federal Reserve can keep interest rates low on the 10 Year Treasury, it will help lower mortgage rates, which are directly pegged to

this benchmark. There had been a great deal of criticism of this program by foreign governments, private business leaders, the press, and many in Washington. Again, it did a good job in achieving the former, but had little impact on the latter. While the Federal Reserve has put a twist (no pun intended) on its recent actions, it is basically the same entity it was in 1913. Yes, there have been changes such as the Banking Act of 1935, but as a whole things do not differ greatly from 100 years ago. It is agreed that the current Federal Reserve is more transparent than the “Black Box” versions of years past, but they still basically use the same toolset that has been around for decades. It is not a bad group of tools. Quite on the contrary, it has served America quite well for almost 100 years. However, some new tools could be added to broaden the scope and reach of the Federal Reserve regarding the impact of its monetary policy operations.

Expanded Scope & Powers

The word “Quasi” is an ambiguous term that itself denotes similarity to whatever object it modifies, but approximately 140 billion of tax payer dollars have been spent to keep Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation ((FHLMC) or Freddie Mac on life support that may only resemble survival. These are not new kids on the block. FNMA was founded in 1938, while Freddie Mac has been around since 1970. In a nutshell, main objective of these entities is to expand the secondary mortgage market in the United States.

The latest housing crisis has put these once key housing players in dire straits. It stands to reason that if one of the Federal Reserve’s primary objectives is to stabilize long-term interest rates with a prime focus on the housing market, and then it should go after the low hanging fruit first to expand its scope. Hence, new laws could be drafted to have the Federal Reserve absorb these two entities and create a new housing related agency, which would also be aligned with the Federal Housing Authority (FHA). The FHA is a U.S. government agency that was created under the National Housing Act of 1934. The primary goals of the FHA are to promote market stabilization, help to improve conditions and standards, while providing a home financing framework through the issuance of mortgage loans.

At this point in time the “Big Bang” approach of consolidating all four entities may be too large of a task, and may not be the best option. As a result, the absorption of FNMA and Freddie Mac by the Federal Reserve would seem like a logical first step expanding the its scope regarding the housing market. It could also work hand-in-hand with the FHA in creating new lending guidelines, along with an expanded toolset to promote a more stable lending environment.

New Lending Guidelines: It must be made clear from the outset that more rigid lending practices need be in place, so a repeat of the past does not again occur. That does not mean that lending practices should become unreasonable and stifle real growth. Again, real to inflated growth must be adequately weighed and determined by the Federal Reserve and legislators in Washington. The final result must be a framework that allows for people to purchase homes they can afford. This is really the key factor, a formula that is fair and enables people to purchase homes that they can reasonably afford because the American tax payer does not want to be caught bailing out public and private entities as it did during the last financial crisis. This event was set off by declining housing values, combined with sub-prime mortgage defaults that precipitated the meltdown in the Collateralized Debt Obligations (CDO) market, which ultimately caused a world financial crisis. Once top-tier players like Bear Sterns and Lehman Brothers are no more, and were ruined during the crisis. Hence, a genuine need was created for practical mortgage underwriting guidelines and safeguards. For example, if one's income and past track record allow under the new guidelines should allow the purchase of a \$400,000 home with a \$300,000 mortgage, then this is a path that one may follow. If they wish to purchase an \$800,000 home with a \$700,000 mortgage then that person may have to seek another type of lender, which ultimately may carry a higher interest rate option. Again, these are simple examples in a perfect world. As one would suspect, real world examples will be harder to conjure-up and implement.

The Expanded Toolset: Over the years the Federal Reserve has used three main tools to influence monetary policy, which focus on the Discount Rate, Open Market Operations, and Reserve Requirements. Rather than expound upon current tools we will look at other possible options that the Federal Reserve could leverage to provide a greater scope to its operations and ultimately have a greater impact on the American economy.

- **The Unemployment Tool:** Let us say that there was a new program that would help to rebuild and revitalize cities like Detroit and Riverside, which would use both public and private funds. For example, a computer learning center that would teach programming and networking skills could be of great value to local residents currently out of work and looking to acquire new skills, so they are better equipped to deal with the demands of the current employment landscape. These centers would not only provide the learning element, but also supply qualified candidate for ongoing work as well in the form of application development and network services integration. In addition, these centers should provide free daycare and temporary reduced fare transportation services to workers, so they can be more productive. What is in it for the investor? On the public-side, it enables the Federal Reserve to invest

in projects that would “Directly” create jobs rather than through indirect means. On the private-side, it could enable companies to have development work done “On Shore” rather than sending work “Off Shore”, which may result in a comparable end-product, combined with lower cost. Bottom line, the Federal Reserve could not only be a direct investor, but could also be a lender to the private companies investing in these types of projects. This would free investment capital to seek out innovation which a renewed workforce could support.

- **The Pricing Tool:** Here is where it gets tricky. Does the Federal Reserve become the world’s largest commodities trader, or does it sit back and watch the show? Creating a stabilization fund that would smooth out imbalances in oil and gas markets would make sense, but the size of such a fund could be a real show-stopper. For example, a trillion to three trillion dollar fund would be needed to make a real impact on the global market. Does the American tax payer really want to foot any more losses if things go wrong? This may not be the best time for this type of new effort, but an ultra-conservative multi-trillion dollar stabilization fund could be. As of late, the Federal Reserve has been into calling its efforts by some catchy names like “Quantitative Easing” and “Twist, so “Operation Checkers” would seem to fit the mold. This new hypothetical program would enable the Federal Reserve to buy the 2 Year and sell 3 Year Notes on the fly in far larger amounts than it currently does with little risk to adjust the yield curve if needed to help stabilize prices. For example, if the Federal Reserve feels the 3 Year yield is impacting yields on 3 year adjustable rate mortgages, then it may sell the 2 Year and buy the 3 Year to flatten out the yield curve and make it more advantageous for the borrower of this type of mortgage. Again, this is an “Indirect” type of effort, but it does carry very low risk and could provide the Federal Reserve with more bandwidth to help stabilize prices. Again, this new option would allow the Federal Reserve to purchase or sell Treasury Securities in far greater amounts to help stabilize domestic prices. It stands to reason that the American taxpayer patience is pretty slim via examples like AIG, so erring on the conservative side may be the best and most logical course of action.
- **The Long-Term Interest Rate Tool:** The Federal Reserve could work with the Treasury to create a new type of security to promote a more predictable view of long-term financing. We are not talking about thirty year maturities, but bonds with fifty, seventy-five, and one-hundred year durations. These securities will be called “Icebergs” in this report because they represent a massive entity that is out there and one must respect. For example, all the bonds would carry a half-life call option. The 50 Year could be called-in twenty-five years at a dollar price at 102. This example would make sense if

interest rates were lower than the time of issuance. How is this new security a tool? Currently, the Federal Reserve may go and purchase the 10 Year to reach its objective to hold down interest rates. The Icebergs could in fact provide a number of benefits because they give the Federal Reserve more purchase options, along with a better view of the long-term interest rates. These two factors could also garner a positive response from the various rating agencies. A simple scenario would be for the U. S. Treasury to issue 100 billion 50 Year, 100 billion 75 Year, and 50 Billion 100 Year securities with an average yield of 3.5%. Such Securities could be of great interest to Retirement Funds, especially with the half-life option when a given demographic of its retirees needs to cash out, while keeping the remainder earning the long term rate. Rather than viewing matters in nanosecond intervals, the rating agencies could take a decade by decade perspective on interest outlays. This type of long-range perspective could have a very positive affect on U.S. security ratings because of predetermined interest outlays that stretch over a far greater period of time, which would mean a better overall understanding of long-term finances. It will also give the Federal Reserve a new pool of securities with which to work. In essence, the Federal Reserve could purchase and sell securities from one day to one century maturities, which would no doubt improve its monetary policy operations.

We have tried to stick to the three original goals (employment, prices, and long-term interest rates) of the Federal Reserve, while augmenting the current toolset with some conservative and some not so conservative options. Some options may make sense to lawmakers, while others may not. Only time will tell. The Federal Reserve will celebrate its 100th birthday next year and the most likely course of action will be to modernize. It must leverage some its existing tools, while expanding its scope and effectiveness with some new ones to be better prepared to deal with modern economy. It was created to deal with events like the “Panic of 1907”, but since then America as a country has had to deal with events like the Great Depression and the Great Recession. Hence, a modern toolset for a modern era is needed.

Education

The U.S. Educational System is in dire need of a restructure on a grand scale. The latest reading and writing SAT (College Board) scores can substantiate the aforementioned statement. We are not talking about adding one or two classes to a defined curriculum, but a new structure that will carry America's young into the 21st century better prepared than under the current system. Our writing team has been in the trenches with some of their children attending Public & Private K-12, along with sending these children to Public (Top-120 U.S. News & World Report/Princeton Review) and Private (Top-25 U.S. News & World Report/Princeton Review) Universities. As a result of this experience, our team has seen both the benefits and pitfalls of the current educational system from East Coast to Midwest to the West Coast.

As in life, things are meant to change, so, too, must the current educational landscape. We will now look at some possible alternatives, which leverage not only domestic, but foreign practices as well.

The Dilemma

We would like our national educational system to be as fair and equitable as possible, but at the end of the day choices have to be made. The "I Want" mentality must be replaced in realistic terms with "These Are My Options" for the system to be successful. For example some parents want their children to follow a certain professions such as law or medicine. The truth of matter is some children are cut out to be lawyers and doctors, while others are not. This is just a fact of life. That does mean the loss of a dream or a dead end job. That is what a new and restructured educational system could do. It can help to find and chart the best possible and most adaptable set of career paths for the student and fill the needs of industry at the same time that it nurtures the individual student's needs to help formulate the proper skill sets.

For example, a student could be a better fit as computer engineer, rather than a mechanical engineer. Both have comparable first year salary scales, and both are grueling curriculums. A better example would be one following the university route and one following the technical route. A parent may have two children, say twins who took different career paths. One decided to take the university path, while the other followed the technical school path. The former is marketing major and the latter trained in the automotive field. By chance both work for the same automotive giant and both have similar starting salaries and the same benefits. The end result would be a statement to the success of the system. Unfortunately this is not a perfect world, and the scenario just outlined would be very difficult under any implemented educational system. Nothing is perfect, and while America may be a melting pot, this melting pot has to deal with many issues such as uneven K-12 school funding and homes where English is not the

primary language. Hence, we have various core challenges to overcome. It must also be kept in mind that today's students will likely change careers as many as seven times in their working lives, so the skill of learning absolutely **MUST** be inculcated in all students.

It must be made clear from the outset of this section that this report does not have a final solution on how to improve the American K-12 educational system because that proclamation would seem quite pompous and ignorant. This is a massive undertaking, which could require trillions of dollars and take a full generation or two to implement. Our goal is more in-line with possible ideas that could become some part of the final restructure. We will try to expose these options that have common tread, which focuses on a possible best path methodology.

Helping to Avoid the Trap

In any good educational system the goal is to educate. It should also be the goal to guide our young in fiscal discipline regarding how much it will cost them for higher education. Again, managing expectations is not easy, or what many want to hear, but it could help students make the right decisions regarding their career paths. We should try to create a system that promotes prudence, rather than one that does not properly manage expectations while leaving students with debts they cannot afford. Let us look at two scenarios, which are all too common in our current public and private educational landscape.

Scenario One: A student would like to attend a highly rated state university, which carries with it a high price tag. While it may be a state entity, the campus is in an urban area almost 200 miles from the student's current home, so housing is a must. The curriculum chosen requires books that run about \$1,000 per-semester, along with school fees like internet access. Food and travel expenses must also be added to the mix. After all is said and done with grants and the like, the total cost is \$20,000 per-year. The student takes out various loans to pay for all expenses and things move forward as planned. However, the area of study does not seem to interest the student, and they drop out in the middle of their sophomore spring semester. Unfortunately the student does not have a degree, but has amassed almost \$38,000 in student loans. As current laws dictate, student loans cannot be expunged in personal bankruptcy filings. The final result is a student with no college diploma and a substantial amount of debt they are saddled with until paid. This scenario is becoming more and more common because of many factors that include peer pressure, overselling by the parents and the schools, and distorted student expectations.

Scenario Two: A student would like to attend a highly rated private university, which carries with it a very high price tag. The campus is in a rural area almost 2,000 miles from the student's current home, so housing is a must. The curriculum chosen requires books that run about \$500 per-semester, along with school fees like internet access. Food and travel expenses must also be added to the mix. After all is said and done with grants and the like, the total cost is \$45,000 per-year. The student excels and has the grades to make Suma Cum Laude, and graduate in four years as planned. Because the student had excellent grades and a sought-after major they were able to find a good job in a major metropolitan area. With a starting salary of \$55,000 all seems like it will be fine. However, rent in the immediate location runs around \$2,000 per-month, which must be added to transportation and food costs. In addition, there is the matter of paying back the \$140,000 student loan, which amounts to \$1,300 per-month. No matter how one looks at it, even with an excellent job and starting salary, the student is lucky to just get by. Again, this scenario is all too common.

Education not only comes in the classroom, but it must come from school counselors and parents. We must help educate our young not only in defined class subject matter, but how to better understand the costs of higher education. We do not want to dissuade their dreams and desires, but we would them to better understand the positives and negatives of costs of higher education.

Possible Education Options

The primary goal of these new options is to offer students a fair and equitable education that best fits their needs and desires. One such conceptual program is called Trident.

The Trident Program

The path of this program is similar to a trident in nature, which uses three prongs or paths to reach its objective. In our case it is to offer the best career choice for each and every student. This is not a tiered program, but one in which all of the three paths are equally respected. From a side view the left prong represents the "Technical Path", while the center prong represents the "Open Path", while the right prong is dedicated to the "University Path". Again, this is not a hierarchal model, but one in which each path is equal in merit.

While the paths may differ, their objectives are one and the same. To help provide valuable job skills needed in this ever-changing and difficult employment landscape to the student. The Trident Program assumes that all students have completed school from ages 5 to 15 in core studies that include language and math. It would essentially start where our high schools do today for comparative purposes. Let's

stop and look at reality. Some students may get left back and not graduate on time. This event may be the result of poor grades, language barrier, poor behavior, or a number of other factors. These are systemic issues that will unfortunately carry over from the current educational system. While we can change the system and do our best to foster good practices, we cannot change the way people ultimately behave. In the end people are responsible for their own actions no matter what educational system is in place.

It is important to note from the outset that “The Technical Path” and “The Open Path” and “The University Path” leverage the same curriculum up to age 15. In a nutshell, it assumes students should be able to read, write and perform math skills at proficient level (TBD) before entering into the next level of the education process.

Please Note: Tests such as the ACT and SAT will be as important as ever in helping to better define a career path during this critical juncture,

- **The Technical Path:** We would like to state that “Technical” in this report covers a very broad scope of career paths. It really focuses on career paths that do not require a college or university degree. This path may be offered to students whose test scores determine that this option may best fit their skill set. It also may be chosen by the student as an option even if their test scores are a better fit for the University Path. In any event, the Technical Path starts at age 15 after a rigorous 10 year curriculum has been satisfied in the areas of language and math. The goal is for the student to be proficient in these skills before moving on to selected fields such as nursing or automotive. The Technical Path is a public three year program that enables students to first refine their reading and writing, along with math skills in year one. It also gives them the option to choose a defined career path. For example, during the first year of this program a student may select Automotive (Engines & Transmissions) as their defined area of study. Americans currently purchase approximately 13 million automobiles yearly, and there are millions more on the road. Accordingly, the automobile will be with us for at least another generation or two, so a career in engine and transmission repair may have some attractive elements to it for the student choosing a long-term career path. Year two of The Technical Path would enroll the student in classes focusing on engine and transmission repair that would be both “Hands-On”, while requiring written and oral tests to gain their certificate at the end of their third year. It is also during the third year that the student may then apply to the technical college or school of their choice at their own expense for further advancement in this area of study. For example, the student may want to focus on repairing complex 4-wheel drive vehicles rather than the more common 2-

wheel variants. Again, it will be up to the student to make this money and time investment regarding their defined career path.

Let us look at another example, nursing. This career path seems like one that will be in great demand for quite some time because of the growing needs of the 60 million baby boomers. A student may chose nursing in their first year of this program as their career path. Again, these classes will be “Hands-On”, combined with written and oral examinations to acquire a certificate. Now here is an interesting segue. Upon completing The Technical Program, the student can choose to enter a 2 year or 4 year nursing program of their choice and at their own expense. This student also had the option of attending medical school if their grades and entrance exam test scores allow. As mentioned in the beginning of this section, The Technical Path covers a very broad scope and allows for advancement regarding the study path chosen, or even a change of paths by the student at a future point in time.

- **The Open Path:** This option has been designed for students who have not yet made a firm decision on what career path to follow after their 10 years of basic required schooling. It is not uncommon for a 15 or 16 year old to be undecided regarding a defined career path or area of study. Hence, a public program where new ideas may be formulated in order to make a logical and rational decision. The Open Path is a public one year program that enables students to refine their reading and writing, along with math skills in year one. It is basically the same curriculum as The Technical Path and University Path except it has additional workshops to help define what areas of study best fits student needs, and or desires. For example, a student may be enrolled in basic language and math classes, while attending selected science classes as part of this program, which is meant to better, define a student’s interest. If the student does have the necessary grades and test scores they also may then choose The University Path, which may hold areas of interest in fields such as science or medicine. Let us say the student is still undecided, and then a meeting with the councilor, parent or guardian would be the next step in the process to help the student decide what their options are. Again, grades and test scores will go a long way in helping to determine what career path may be best and they may also help to expose where the students interest lie. At the end of the day, or in this program, at the end of the year one, the student must make a decision on an area of study they wish to focus on. The two primary goals of The Open Path are to further refine language and math skills, while helping to uncover interests regarding a defined career path for the student.

- **The University Path:** This path covers a very broad scope of career paths. It really focuses on career paths that do require a college or university degree. This path may also be chosen by the student as an option even though their test scores are a better fit for The Technical Path. One caveat, test scores must also meet the requirements of The University Path for a student to be accepted into this program. This path starts at age 15 after a rigorous 10 year curriculum has been satisfied in the areas of language and math. The goal is for the student to be proficient in these skills before moving on to selected studies such as calculus and physics. The University Path is a public three year program that enables students to first refine their reading and writing, along with math skills in year one. It also gives them the option to choose their career path. For example, during the first year of this program a student may select Engineering (Chemical/Electrical) as their defined area of study. Year two and three of this path would enroll the student in advanced math and science classes that would be both “Hands-On”, while requiring written and oral tests to gain their certificate at the end of their third year. It would also be in this time period where tests such as the ACT and SAT would be taken, while also applying to various colleges and universities. Again, The University Path is for the student with grades and test scores who knows what career path they wish to follow.

The goal in this section was not to cover all areas of our educational system, but focus on a window where a career path or possible career path is chosen. It is here at the critical juncture where a student needs the utmost guidance and where our Trident Program may hold some value. We may use our existing physical locations and teachers in our outlined Trident Program, along with proven testing programs like the ACT and SAT to best leverage our current system. While the changes may seem a bit on the disruptive side, they could be implemented in multiple phases, so they do not do more harm than good. Again, our goal is to try to improve how students are taught at this critical time period and how they choose the best career path regarding their skills set and desires.

This suggestion is just that, and is offered in the spirit of stimulating discussion. It is based on the current system and looks at the problems from the practical standpoint of today’s costs and how those costs are addressed within the economic system today.

Whether the plan above or the more radical thought experiment that follows, something must be done. We have no option to leave things as they stand. We are falling farther and farther behind in the twenty-first century the very countries we helped usher into the twentieth century. And we have no one but ourselves to hold accountable.

Out of the Box Thinking

We offer this closing suggestion as a thought experiment. We are told time and again to think outside of the box of conventions where we live. So let's do that:

Would it not make sense as we move into a future whose jobs we cannot actually predict as much as economists insist that they can (in numerical terms at least), that we change the educational perspective entirely in light of the two Scenarios offered before the last suggestion?

What if Education was a guaranteed job? We would have full employment overnight with few exceptions and no more Welfare Fraud. Many options could occur such as having a ready population to train for industry demands where the student is paid more highly to prepare for those jobs, and be willing to take a minimum one-year contract once trained?

How to pay for it? Perhaps a variable tax rate on all employers where the more profitable pay more but all pay some? If you think about it, it IS a cost of doing business whether you use H-1b visa and ultimately give our technology away to those we train or a simple, understandable, straightforward tax that trains and employs our citizens preferentially?

Job Creation

First, let's be clear that we do not mean Job Creation in the sense of Government Jobs, that is, jobs created by the government such as the recent stimulus immediately following the election of 2008 attempted in its support of so-called "Shovel Ready" Projects that were already in the works, specifically infrastructure jobs repaving highways and fixing bridges that were already proposed and ready to be implemented.

Rather, we mean the kind of jobs created as a result of government investments such as the Federal-Aid Highway Act of 1956 that ultimately began the decades-long construction of the US Interstate Highway System. Another good example of the collateral benefit of job creation was the Apollo Moon Landing Program in which technology was developed at the pace of the cold war fueled by the fear that whomever controlled orbital space above the Earth or the capability of colonizing the Moon would have a devastating advantage in an era of nuclear standoffs. The jobs created in industries as divergent as household cleaners and industrial adhesives lasted for a generation.

Of course, we recognize that we can't create hard edged definitions of these distinctions, but we can describe how such Job Creation can be successfully carried out, and what errors of the past can be avoided lest we shackle ourselves to the unquenchable hunger of a bureaucracy. Specifically, we want to avoid the perceived deficiencies of the CETA era of the 1970s most associated with President Jimmy Carter. However it is wise to remember, as noted in Wikipedia:

"The **Comprehensive [Employment and Training Act](#) (or **CETA**, [Pub.L.](#) 93-203) was a [United States federal law](#) enacted by [Congress](#), and signed into law by [President Richard Nixon](#) December 28, 1973 to train workers and provide them with jobs in the public service. The bill was introduced as S. 1559, the [Job Training and Community Services Act](#),^[2] by [Senator Gaylord Nelson](#) ([Democrat](#) of [Wisconsin](#)) and co-sponsored by [Senator Jacob Javits](#) ([Republican](#) of [New York](#)).**

The program offered work to those with low incomes and the long-term unemployed as well as summer jobs to low income high school students. Full-time jobs were provided for a period of 12 to 24 months in public agencies or private not for profit organizations. The intent was to impart a marketable skill that would allow participants to move to an unsubsidized job..."

While CETA was not as spectacular a failure as many would have it, as a direct descendant of the [Works Progress Administration](#) (WPA) program cited earlier, from the 1930s, it gave a bad name to federally controlled job training programs and that might not be such a bad thing, even if we need a new variation on this theme.

In a *Politics Daily* article from two years ago, Walter Shapiro wrote of this program under President Carter:

In a nutshell from this article, citing his experience as an insider in the Labor Department of the Carter Administration, Shapiro wrote, “the idea back in 1977 when Carter, responding to liberal pressure, spurred Congress to dramatically expand the anti-recessionary CETA program (Comprehensive Employment and Training Act). Peaking at 725,000 public service jobs in 1978, CETA by itself trimmed nearly 1 percent off the unemployment rate before adding in the economic ripple effects from all these new paychecks. Given this statistical success, why did CETA become as derided as Jerry Ford's attempt to tame escalating prices with WIN (Whip Inflation Now) buttons?

Americans have always been skeptical of temporary government jobs dating back to Franklin Roosevelt's WPA, which employed 3.3 million otherwise jobless in 1936. The image of government-paid workers leaning on their shovels was a Depression era staple and the WPA (Works Progress Administration) was mocked as standing for “We Piddle Around’. In the Labor Department, we recognized that this would be a perception problem with CETA, but public employee unions made it nearly impossible to solve. The unions demanded that CETA employees either be paid comparable wages to existing government workers (impossible for cost and fairness reasons) or else they explicitly should be limited to tasks that were not already being done.

That was the crux of the policy dilemma: The voters did not want make-work and the unions did not want real work.”

So, there's our warning: “Check with the Unions before creating new temporary jobs intended to equip as much as 1 percent of the workforce (after taking into account the number of those who have given up and will want to rejoin that workforce) with today's and tomorrow's in-demand skills.

Using Lessons Learned

Our task now is to outline the kind of federal investment of taxpayer dollars that will impart those skills while helping to create those kinds of long-term jobs.

In a prior article on the slow demise of information technology jobs, we tackled this question and suggested that we can use needs explained in more detail in the Transportation segment of this report here than in the prior report, and tackle the task of renewing our aging transportation infrastructure in a program that borrows heavily from the Eisenhower era interstate highway program while using the lessons of the CETA effort.

In other terms, we need to create a long term program to address the needs of the transportation sector in the next new technological era—the Information Age. We can use the improvements in information technology and analytics to create a federally funded but locally focused, forward- looking program to renew the United States transportation system. It stands to reason that if we take this approach we will create well-paying long term jobs in both the transportation and information technology domains.

However, we need to apply the lessons of CETA not only to get unions involved early on while understanding that we must take care to be sure that we foster the public perceptions that will support such a program for the long term and not just for temporary government jobs.

Before repeating the bulleted list of specific measures we can take to improve the ability of the economy to rebound from the disaster of creative private investment banking tied to a real estate market almost completely out of touch with reality, we should take a look at what we think is a fallacious analysis of the value of outsourcing.

It has been asserted that outsourcing is actually responsible for creating more jobs than it has taken away. The fact is we don't know if that's true because we are unable to compare the kinds and qualities of the jobs that might have been created if those outsourced jobs had been insourced instead of dropping relatively expensive American jobs for cheaper labor in countries epitomized by China and India.

I don't know about you, but I find the difficulties of communicating effectively with workers in foreign countries whose command of English is less than optimal. However, that is just a personal opinion.

Regardless, the justification of outsourcing as valuable in creating more American jobs is simply untestable, so we should not give in to the temptation of cheaper labor.

So, to repeat our findings from the previous report, we can take steps to create training programs with subsidized starter level compensation in areas such as:

- **Adequate Healthcare for all citizens—without IT innovation to overcome the initial costs of changeover to electronic record systems, this can't happen**
- **Reliable Highways—our infrastructure is crumbling and even with the programs funded under ARRA it will get worse without sustained investment which will require in many cases retrofitting our infrastructure to accommodate our increased knowledge of risks like earthquakes, volcanic eruptions, fires, flood and storms**
- **Clean Water—our water treatment systems are overtaxed now and won't be able to sustain us without major investments and significant improvements in how we manage information about these systems, hence the need for better IT and Knowledge Management (KM)**

- **Clean Air**—we've made progress, but an increasing population will tax what gains we've made, and as with Clean Water we need better IT and KM
- **Energy**—managing the “SmartGrid” requires better IT and KM
- **Lastly, let’s repeat the obvious programs that have proved effective in the past.**

Reducing Payroll Taxes: This possible option would cut payroll tax over the short-term (6-12 Months) in order to make it less expensive for companies to hire new employees. It is important to note that in the United States employers are required to withhold Federal Income Tax, and one-half of the Medicare tax, one-half of Social Security tax. Together the employee’s and the employer’s Medicare tax and Social Security tax are known as the FICA tax. In addition, employers are responsible for paying Federal and State unemployment tax. Reducing payroll taxes will no doubt give job hiring a needed jolt, but the “Great Recession” has already cut tax revenues at the Federal, State, and Local levels. As one would surmise, reducing payroll taxes is a two edged sword. A possible short-term positive effect regarding job hiring, must be balanced against reducing tax receipts at a time where the Federal Government is running a deficit over 1 trillion dollars and many States budgets are in dire straits. Therefore, this can only be a short term tool.

Tax Credits: In a perfect world, Tax Credits would create well-paying and long-term jobs in the private sector. Well this is not a perfect world. While Tax Credits may be of help in “Jump Starting” the creation of new jobs, they should be viewed as an inherently limited “Silver Bullet”.

Institute of the Future

Lastly, we offer an idea from the prior report. We can invest in An “Institute of the Future” that can focus on immediately worthwhile undertakings such as direct Government sponsored training programs in key technologies, e.g., Consumer Electronics or Network Components manufacturing leading to immediate jobs. Such an institute could be paired with funding higher education to produce the IT innovation needed to create new jobs in new technologies.

Postscript

Again, we need to manage expectations properly regarding this report. It is meant to be a solutions document and not one that blames any one political party. It is meant to expose some possible options in key areas that include transportation, monetary policy, education, and job creation. The possible ideas outlined in this report are rough in form and may only touch upon the accepted and implemented future date solutions. We will not even go as far as “A diamond in the rough” so to speak because that stage is a few years away. We are like a prospector in Northern California in 1848 looking for gold with a pan along a river bank. The most we could ever find regarding the contents in this document is that one little spec the size of a grain of sand that glitters. The reader won’t find the “Mother Load” in this report, because that monumental task will fall on the shoulders on our public and private leaders, along with the leading research entities. Bottom line, they have the bandwidth and the funds to make it happen.

From our perspective, while our ideas may be shot down by various pundits, the time and effort in taking a non-partisan approach is a step in the right direction in solving the problems America faces today.

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