



THAT USED TO BE US

How America Fell Behind in the World It Invented and How We Can Come Back

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Publisher: Farrar, Straus and Giroux

Date of Publication: September 2011

ISBN: 9780374288907

No. of Pages: 400

(This summary was published: September 15, 2011)

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General Overview:

The end of the Cold War ushered in the four big challenges which America faces today:

1. How to adapt the U.S. economy to the demands of globalization.
2. How to adjust to the ongoing revolution in information technology (IT).
3. How to cope with soaring budget deficits generated by demands on government at every level.
4. How to manage a world of rising energy consumption and increasing climate threats.

How the nation responds to these challenges will in practical terms define America's future. While the United States is not facing an imminent threat of extinction, the nation's response to these four challenges will dictate the future rate of growth of the U.S. economy. Affluence and economic strength have traditionally shaped the national character and underpinned America's role in the world. A continuation of the American Dream will require robust and sustained economic growth in the future and achieving that now depends on how the country meets these four challenges.

America has always held the belief there are connections between freedom, economic growth and human fulfillment. The United States has long championed democracy and has been the shining example of the power of capitalism. It's time for America to face the big four challenges head on and adopt policies which are appropriate to addressing these challenges.

*** Please Note:** This political book summary does *not* offer judgment or opinion on the book's contents. The ideas, viewpoints and arguments are presented just as the book's *author* had intended.

America's History

The five pillars which have always been a formula for success for the United States throughout its history are:

1. *America has always provided free public education to all* – so that everyone is equipped with the basic tools required to pursue their own dreams and ambitions.
2. *America is continually building and modernizing its infrastructure* – so that American firms and workers can communicate, collaborate and make goods and services others will buy.
3. *With relatively few periods of exception, America has always welcomed immigrants* – so American society becomes energized by the influx of people with high aspirations and energy.
4. *The U.S. government has traditionally supported basic research and development* – in order to increase the store of human knowledge and spawn innovations which lead to new products and services.
5. *America has had a strong and well structured regulatory system* – to safeguard against financial collapse, environmental destruction, and other risks. The presence of regulations has led to vibrant capital markets which provide funding for new innovations.

Education, infrastructure investment and research and development have traditionally been funded through taxpayer's money. Immigration has been controlled by the laws Congress passes. The regulatory framework government provides has, however, become so complicated in recent times investors and other risk-takers have been discouraged rather than motivated. This is a concern because throughout American history, much good has been generated and derived from public-private partnerships.

“While it is true that in driver education class one of the first things a student learns is not to pass on the turns, in economics history classes students learn the turns are where you get passed. So, in a high-speed turn, a country has to drive with much more determination than on a straightway. The end of the Cold War has coincided with the fastest turn America has ever faced. It is driven by the merger of two major trends: globalization and the IT revolution. We need to win in this turn. So we need to upgrade and improve our American formula – now more than ever. Unfortunately, our politics has moved in the opposite direction.”

Every person in America wants lower taxes and less regulation while at the same time wanting more from the five pillars of the American formula. It is this disconnect which endangers one of the major sources of our national strength. America needs to get back to refreshing and reinvigorating the sources of its competitive advantage and update that success formula to match the present world conditions. There are no pressing and obvious threats which can galvanize the nation into taking action so America must find another way to create the public will that's required.

In very direct terms, the United States has always succeeded because one generation has been prepared to invest in the next. When we opt not to make investments in the formula, we in effect deny the next generation having the tools they will need to continue to maintain the American dream. Politicians need to get back to these basic principles and to publicize the benefits of public-private partnerships. It's counterproductive for liberals to continue to blame the nation's problems on Wall Street while advocating a more equal distribution of wealth. Equally, it's folly for conservatives to assert the key to our economic future is to close our eyes to unpleasant realities and say “tax cuts.”

“We need to get back to basics, and fast. We need to upgrade and invest in our formula the way that every generation before us has done. We are entering a new economic turn, one that America did more to generate than any other country. Now we have to make sure that every American citizen and company has the skills and tools to navigate it.”

The Education Challenge

Globalization and the ongoing IT revolution are in the process of changing every job, every industry, every service provided and every hierarchical organization in society. New markets have been created overnight. Politics has suddenly become far more transparent. The world has certainly become more connected and groups everywhere have become more empowered. It has all happened with lightning speed because globalization and IT are intertwined and spur each other on. The world truly has become flat. In fact, Flat World 2.0 has arrived where everyone everywhere is hyper-connected to everyone else through an all encompassing “cloud” which provides instantaneous computing power wherever and whenever needed. This means companies today need workers who are highly productive because they can use the tools of hyperconnectivity in every way imaginable to produce more goods and services with fewer people.

The problem with globalization and the IT revolution is America has failed to respond to them by improving its system of education. The evidences of this conclusion are everywhere. To mention just two:

- Every three years, the OECD Programme for International Student Assessment (PISA) measures how fifteen-year-old students in dozens of industrialized countries rate in terms of critical thinking skills. In the 2009 study, American students rated in the middle of the pack behind students from Shanghai, Korea, Finland, Hong Kong and Singapore. The same results pattern also showed up in tests of maths, reading and science literacy. Some may argue these tests don't reflect everything that's good about the U.S. educational system, especially its universal mandate, but the PISA test results are an indicator education in America is falling behind what other nations are achieving.
- The United States needs to close the gap between the educational experiences of average white school children and those of minorities. There is very much a two-tier educational system in place which provides black and Hispanic young people with high schools which are overcrowded, underfunded and poorly resourced from a teacher's perspective. This can't go on.

To provide better educational opportunities for young people, the United States needs:

- Better teachers and school principals who are more proficient at managing their schools.
- Parents who are more involved in their children's education rather than handing this off to others.
- Politicians who are pushing to raise educational standards and increase educational funding.
- Citizens and neighbors who are prepared to invest in schools even though their children don't attend.
- Business leaders who are committed to actions which will raise the educational standards of communities.
- Students who are motivated to come to school to learn rather than to mark time until they are able to leave.

Admittedly, changing America's education system won't happen with one wave of a magic wand from Washington. Public education is too decentralized for that with some 14,000 independent school districts needing to all get on the same page. Furthermore, the hands-on involvement of local communities and other important players will also be required but it is time for the nation to be developing successful local and regional educational models which can then be scaled and duplicated nationwide.

The educational system of the United States must be tasked with bringing America's bottom up to the average as well as taking the American average up to global peaks. Companies today are looking for workers who can think critically and creatively for themselves, who can tackle nonroutine complex tasks using the tools of the information age and who can work collaboratively with people and teams located in their office or globally. Routine tasks are being automated more than ever and the educational system needs to be producing people who can take a complex task, do it and then enhance what's produced to bring it up to world-class standards. The era of “being average” when it comes to an education is over. This nation's educational system must equip young people with what they need to stand out and get ahead.

The War on Maths and Physics

“There is no other way to say this: Somewhere in the last twenty years of Baby boomer rule, Americans decided to act as if we had a divine right to everything – low energy prices and big cars, higher spending and lower taxes, home ownership and health care, booms without ceilings and busts without massive unemployment – all at a time when the country was waging wars in Afghanistan, Iraq, and then Libya. Our sense of entitlement expanded far beyond Social Security and Medicare to encompass . . . well, everything.”

It’s almost like the United States has been trying to wage war on math and physics. America is engaged simultaneously in deficit denial and climate change denial. The nation seems to have bought into the line of logic that deficits don’t matter and that human-driven global warming is just an invention of a global conspiracy of left-wing scientists and Al Gore trying to ramp up publicity for his book and movie.

How did we get to this point? On the deficit side of the equation, the underlying logic is easy to trace:

- Beginning in the late 1960s, the federal government got out of the habit of spending only the money it collects through taxes and started spending more than it brought in. At first this wasn’t a problem but gradually that debt has snowballed to where it now is a pressing problem for the United States.
- On August 15, 1971, President Nixon scrapped the international monetary system the United States and Great Britain had devised at Bretton Woods which tied the dollar to the price of gold and imposed fiscal discipline on participating countries. Nixon did this to avoid a recession because of the money being spent on the Vietnam War.
- President Ronald Reagan reduced the revenue base of the government by 5 percent while continuing domestic spending unchecked as part of his much vaunted defense buildup. In fairness, Reagan was not a fan of deficits and he did introduce “revenue enhancements” which took back more than 40 percent of his previous reductions but the die was cast.
- Neither President George H.W. Bush nor President Bill Clinton wanted to be seen to be raising taxes but to their credit both acted to reduce the deficit. The dot-com boom and the fact there were no ongoing wars meant Clinton delivered a budget surplus and he projected the nation would be “debt-free” by 2012.
- President George W. Bush’s administration enacted a massive \$1.35 trillion tax cut within weeks of taking office. Unfortunately, no matching spending cuts were put in place – effectively meaning the nation stopped paying for things it needed. When two wars eventuated along with the costs of coping with the meltdown of the financial system, it’s little wonder that President Barack Obama has inherited huge deficits and massive total debt before even enacting a single policy change of his own.

Conventional thinking had always suggested deficits would lead to a sharp devaluation of the dollar which would force the White House to increase taxes and make spending cuts. That hasn’t happened yet simply because other nations have been willing to lend to the United States by purchasing U.S. Treasury bonds. China and Japan have been willing to manipulate their currencies to support their export-led development strategy which creates more jobs. If they should stop buying bonds, the United States would be forced to:

- Raise interest rates sharply in order to attract other capital – thereby triggering an economic downturn.
- Print more money to cover the deficit – thereby triggering inflation.
- Close the gap by making government spending cuts and tax increases at the same time.

“The third option, reducing spending while raising taxes and reinvesting in our formula, is, for the sake of the country’s long-term well-being, the only sensible option. Although we have passed the point at which we could correct our fiscal errors in a pain-free manner, the sooner we adopt the third option, the less economic pain we will have to suffer.”

The bitter wrangle between Republicans and Democrats over the 2011/2012 federal government budget which occurred in mid-2011 marks the beginning of what will be a protracted and bitter political process to correct the country's dangerous financial course. Four guidelines for moving forward are:

- The deficit problem is serious and will require serious political changes and not just rhetoric, posturing and name calling.
- Everyone should keep in mind the purpose of the exercise is not to simply reduce the deficit but to ensure future prosperity. Reducing debt must go hand-in-hand with equipping people with the tools they need to excel in the future as per America's formula.
- Cuts will need to be made across the board and not just in the 12 percent of the federal budget which represents "nonsecurity discretionary spending." This tends to be where the programs which underpin the formula are found. Reductions in entitlement programs like Social Security and Medicare are inevitable.
- America cannot cut its way to fiscal sanity. The nation will also have to raise more revenue through increased taxation. No one will be exempt from this stark reality.

"This is our job. This is our mess. It cannot wait. We need to fix it in our time, at our expense – but with an eye on the future, not just the present. What is at stake here is nothing less than whether or not we're going to give the next generation a chance at the American dream."

As vexing as the nation's war on maths with deficit spending is, the United States also seems to be at war with physics when it comes to climate change. There can be no real questions the United States needs to reduce its use of fossil fuels as rapidly as is prudently possible. Climate change will undeniably affect air quality, our nation's economic vitality, the integrity of our food supply, the nation's balance of payments and every other big issue of American life. Yet, instead of debating how to generate more clean energy and how to slow climate change, the United States is debating the integrity of the scientific community.

"While there is much that we don't know about when and how global warming will affect the climate, to call the whole phenomenon a hoax, to imply that we face no problem at all – that all the scientific evidence is bogus – is to deny the laws of physics. To behave as if we can consume all we want forever without staggering financial, environmental, and geopolitical consequences is to deny not only the laws of physics but those of math and economics and geopolitics as well."

So what is the way forward with regards energy? It's not rocket science. America has to do three things:

- Bring in national efficiency standards for new automobiles which mandate 6% annual improvements.
- Send price signals to the market through either a tax on carbon or an increase in the federal gasoline tax.
- Encourage more private-sector investment in innovations which are energy efficient.

If the United States puts all three together – efficiency standards, carbon prices and innovation – a powerful engine for driving down the market price of clean power and driving up demand for its production will be created. This virtuous cycle would then harness market forces to accelerate uptake of clean technologies and in the process make the nation healthier, more prosperous, less dependant on the whims of the oil exporters and therefore more secure and more resilient in today's hyper-connected world.

"It is never too late to get this right, because the gains are so huge and the costs so low. Once we put in place steadily rising efficiency standards across the nation, a price signal would reinforce them. People would have greater incentives to look for more efficient homes, cars and appliances, which the market would have made available thanks to the performance standards. Finally, when the market and the efficiency standards are both driving behavior in one direction, this creates a major incentive for private-sector investment in innovations. It is not at all an exaggeration to say that our future and the planet's future are riding on it."

Political Failure

There can be no question America has performed badly in the first decade of the twenty-first-century by any metric that can be summoned.

“As a country, we lost the plot. We forgot who we were, how we had become the richest and most powerful country in the history of the world, where we wanted to go, and what we needed to do to get there. We failed to update our five-part formula for greatness – education, infrastructure, immigration, research and development, and appropriate regulation – just at a time when changes in the world, especially the expansion of globalization and the IT revolution, made adapting the formula to new circumstances as important as it had ever been. In short, we were the generation of Americans that threw out its umbrella just before the storm.”

One of the defining patterns of American history has always been this nation has met challenges head-on and in such a decisive manner that others have been left behind. So how and why did all this happen right now? It really comes down to two factors: The American political system has become paralyzed and America’s value system has been steadily eroded. The evidences of this are everywhere:

- Social Security was established by Congress in 1935, the interstate highway system in 1954, civil rights legislation in 1964 and Medicare in 1965. Each of these measures were passed with a solid majority of each party in both the House of Representatives and the Senate voting in favor of the measures. The notion that anything major would get passed in Washington today with the support of members of both parties is almost impossible to imagine. Instead, Washington has become much more polarized and divisive. One party supporting a measure and the other party opposing it unequivocally has become the norm. Finding a middle ground which is in the national interest just doesn’t arise any more as each party religiously adheres to its own dogma come hell or high water. And just to make things more challenging, today in Washington there are around twenty lobbyists for every member of Congress. Those lobbyists were paid \$3.5 billion in 2010 to have some influence on what legislation gets passed which explains in part how the candidates for the 2010 congressional elections managed to spend \$879 million on their reelection campaigns. And just to make matters worse, everything in Washington is now brightly illuminated and minutely scrutinized by the media who are on a twenty-four-hour news cycle.
- As the Cold War ended, the generation which had stared down communism, fought the Great Depression and won World War II started retiring. As Baby Boomers moved to center stage, it became clear they had different values. Boomers are characterized by several traits:
 - Baby Boomers value short-term gratification more than long-term gains.
 - Boomers have a get-it-while-you-can mindset and believe the future can be worked out later on.
 - Boomers have been skeptical of those in authority all their lives – especially politicians and experts.The fact Baby Boomers moved into positions of leadership just as there was an absence of a central national struggle against a clear enemy like communism or Nazi Germany didn’t help matters either. The impact of this timing and the inherent attitudes and beliefs of the Baby Boomers has meant America’s collective values have changed in recent years.

The combined effect of strident polarization in America’s political system and wholesale changes in the country’s values system has been far reaching and consequential. Whereas previous generations acknowledged and accepted government action was sometimes necessary and desirable for the collective good, politics has become far more partisan and arbitrary. Rather than having a common enemy which generates a feeling of American solidarity and seriousness, politics has become much more oriented towards the next electoral cycle. The core values responsible for American greatness over the decades have not disappeared but they certainly do need reviving and reinvigorating for our times.

Rediscovering America

“For all our ailments as a country today, our society and economy are still the most open in the world, where individuals with a spark of an idea, the gumption to protest, or the passion to succeed can still get up, walk out the door, and chase a rainbow, lead a crusade, start a school or open a business. ‘Show me an obstacle and I will show you an opportunity,’ is still the motto of many, many Americans, be they business entrepreneurs or civic and charitable entrepreneurs. America’s greatest strength is the fact that wave after wave of people either still come to this country or come of age in this country eager to try something new, or spark something extra, undeterred by obstacles, hard times, money shortages, or weak-kneed politicians.”

In short, the American values upon which this nation was built have not gone away. They are still present in the American people and just need to be marshaled and then channeled in a constructive manner. Americans are perfectly capable of getting on with it and getting the job done, even if the current generation of politicians have low expectations and get easily distracted by trying to win a meaningless game of political one-upmanship and point scoring over the other party. When all is said and done, Americans still have an incredible spirit of enterprise, innovation and adventure and a great work ethic.

America still attracts the world’s brightest and most ambitious people in droves. Fully 25 percent of the new and most successful companies in Silicon Valley in recent years have been started by new immigrants. It has not escaped the world’s attention that four college dropouts named Steve Jobs, Michael Dell, Bill Gates and Mark Zuckerberg just got on with business and ended up creating four of the biggest companies in the world. These are probably the kind of people who were impressed by the fact that when the going got tough in the Iraq war, the U.S. military carried out a surge rather than a retreat. America’s strengths have deep roots and are more relevant to the challenges and issues of the modern era than ever before. What’s needed are politicians who act differently and who can inspire the American people to do the big hard things together.

“Acting differently – reforming our institutions and strengthening our shared values – will require putting in place a different set of incentives for our political leadership, to loosen the grip of extreme polarization and powerful special interests on our public policies. That, in turn, will require a shock to the system. It could come from the market or Mother Nature or the middle of the political spectrum. We vote for one from the middle.”

Although America’s system of government has served the nation well and has proven equal to the task of coping with major challenges in the past, it is today not functioning properly. Changing it will take a sharp jolt – like giving smelling salts to someone who has fainted or jump-starting a car with a dead battery.

“Our political system is stuck. It is under the sway of powerful special interests that work for policies that are at best irrelevant to and at worst counterproductive for the urgent present and future needs of the United States. The two parties are so sharply polarized that they are incapable of arriving at the deep, ideologically painful compromises that major initiatives, of the kind required to meet the major challenges America faces, will require. It is not enough to find a major sliver of common ground between left and right. The country, in political terms, must move to higher ground on which it can make the changes that will sustain the American dream and American global leadership into the next decade and the next generation.”

Since most of the solutions which the nation requires are centrist in nature, a third political party or an independent candidate for the presidency of the United States will be required. That party and that candidate would then be able to create a mandate for moderate political policies which are neither left-wing nor right-wing to be enacted. What’s needed is a new political party and an independent candidate who is able to articulate the hybrid politics which will be required to address America’s major problems and restore our formula for success. Americans then have to find this middle ground so compelling they are willing to leave their respective Democratic or Republican camps and join hands in the moderate center.

“In business and in politics, people respond to incentives, and when the incentives are perverse, people behave perversely. Move the cheese, move the mouse; keep the cheese where it is and the mouse doesn’t move. We need to change those incentives before the market or Mother Nature does it for us. We need to move the cheese, and only a compelling third-party candidate, with a compelling hybrid politics, can do that.”

Obviously, this will be hard to achieve. It goes without saying in the entire history of the American republic, a third-party candidate has never been elected president. Just getting a third party candidate on the ballot in every state is no easy task in and of itself and American elections go to the single candidate who wins the most votes. There is no proportional representation such as is used elsewhere and therefore a third party can only aspire to having political power if it wins outright.

“A vote for a third-party presidential candidate can be an effective way to change the direction of American national policy – and that is the strategy we are advocating. A third party succeeds not by winning elections but by affecting the agenda of the party that does win. A third party can affect the agenda of the two major parties by drawing an appreciable number of votes. By doing so, it demonstrates the existence of a bloc of voters uncommitted to either major party. When an independent presidential candidate makes a strong showing, the dynamics of the two-party system impel the major parties to capture his or her voters, if at all possible. In this way those voters can exert greater influence over the policies of the victorious candidate than do the voters who actually supported the candidate in the election.”

When H. Ross Perot captured 18.9 percent of the popular vote in the 1992 presidential election against Republican incumbent George H.W. Bush (who polled 37.5 percent) and Democratic challenger Governor Bill Clinton who won with 43 percent, Clinton moved to capture Perot voters by addressing their major concerns. Clinton’s first major policy proposal was to reduce the deficit through tax increases and spending cuts. The impetus for those measures came from those who voted for Perot. So rather than a vote for an independent candidate being a wasted vote, a vote for Perot helped achieve what they wanted most because President Clinton was forced to try and capture those voters for his party in the future. There have been several other occasions in America’s political history which have demonstrated this phenomena in action.

“The electoral success of the Tea Party movement in 2010 also suggests that the moment for another influential independent presidential candidacy may have arrived. Americans do not want to be just ‘okay.’ They want to be great. They want ours to be and remain a great country. We have no doubt that Americans will sacrifice when summoned to do so by a leader with a credible plan that apportions the burdens equitably and that has as its goal not simply balancing the budget but sustaining American greatness. An independent presidential candidate who did all these things could provide the shock therapy we need. It may be a long shot; but it’s the best shot we have. Sticking with the status quo, by contrast, is a sure thing – a sure pathway to decline. We fully understand the math working against any third party. We know that such a candidate is unlikely to win. But we also know the more honest, plausible, and inspiring he or she is, the better the Democratic and Republican candidates will have to be. And, at a minimum, if our kind of third-party candidate did well, he or she would do to the established candidates what Theodore Roosevelt, George Wallace and Ross Perot did in 1912, 1968 and 1992 – force them to adopt and implement parts of the third-party agenda. In that case, the independent candidate will have given the American political system what it so badly needs – a shock compelling serious attention to the issues on which the country’s future depend.”

America’s core competency is we can thrive in the future by becoming the world’s most attractive launching pad for new ideas and new initiatives – the place where everyone wants to come to excel. This is what we’ve always done well and we now need the public will to reinvest in our success formula all over again.