



BACK TO WORK

*Why We Need Smart Government
for a Strong Economy*

BILL CLINTON

Publisher: Knopf Doubleday Publishing Group

Date of Publication: Nov 2011

ISBN: 9780307959751

No. of Pages: 208

(This summary was published: Nov 17, 2011)

About the Author:

BILL CLINTON served as the 42nd President of the United States. From 1993 to 2001. Since leaving office, he has been involved in public speaking and humanitarian work. His foundation promotes international causes such as the prevention of AIDS and global warming. In 2009, he was named a United Nations Special Envoy to Haiti and has been involved in that country's reconstruction program.

General Overview:

With all the challenges facing the United States today, the government still matters. There is no evidence whatsoever that an antigovernment strategy will succeed. The nation needs a strong private sector and a smart government working together in order to restore prosperity and progress.

The conflict between the government and the private sector which has played out in recent years has proven to be good politics but has produced bad policies. It's time to get people back to work, increase bank lending and corporate investment, expand the nation's exports, reinvigorate America's manufacturing base and create new businesses. This will only happen where a strong government and a strong economy work together to restore the American Dream and rebuild the middle class.

"We're in a mess now. At the dawn of the new century, after years of strong job growth, rising incomes, and declining debt, we abandoned a proven path to shared prosperity in favor of doubling down, once more, on antigovernment ideology. Now we're paying for it. The only sensible thing to do is for all of us to take some responsibility for changing things. I don't know how this will turn out. I just know that for more than two hundred years, everyone who's bet against the United States has lost. A lot of people are betting against us today. I'm betting that once again, in a very different world, we'll find our way to a "more perfect Union." Let's get the show on the road."

– Bill Clinton

*** 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.

WHERE WE ARE NOW

Our Thirty-Year Antigovernment Obsession

The Republicans campaigned in the midterm elections of 2010 on the concept the president and the Democratic incumbents of Congress had bought America to its knees because of too much regulating, excessive government spending and prohibitive taxation. This was amazing when you consider:

1. Everyone agrees the financial markets meltdown was caused by not enough government insight and excessive leverage on the part of the banks.
2. The financial markets meltdown did not morph into a full-scale depression only because the government acted to save the financial system from complete collapse.
3. As flawed as the stimulus packages may have been, most economic studies have concluded they succeeded in keeping unemployment rates at least 1.5 to 2 percent lower.

While blaming others may be good politics in an election cycle, it's time for America to move on from trying to find someone to pin the blame on. The reality is today's world features unequal access to jobs, great instability because of interdependence and past patterns of doing things which were entirely unsustainable for the planet. It's time for America to get beyond party politics and undertake reform of the nation's basic systems which once worked well but which are today outdated and superceded.

“That’s what America has to do. We have to get back into the future business. And that’s why politics, with all its frustrations and distractions, is still important. Over the last three decades, whenever we’ve given in to the temptation to blame the government for all our problems, we’ve lost our commitment to shared prosperity, balanced growth, financial responsibility, and investment in the future. That’s really what got us into trouble. I believe the only way we can keep the American Dream alive for all Americans and continue to be the world’s leading force for freedom and prosperity, peace and security, is to have both a strong, effective private sector and a strong, effective government that work together to promote an economy of good jobs, rising incomes, increasing exports, and greater energy independence. To develop an effective strategy to get the jobs engine going again and deal with our long-term debt problem, we have to take off the blinders of antigovernment ideology and focus on what role government must play in America’s renewal.”

The 2010 Election and Its Place in the History of Antigovernment Politics

Since Ronald Reagan rode the idea to victory in 1980, the Republican Party's theme has consistently been that no matter what the problem (apart from national security), the solution is always the same: less government, lower taxes and weaker regulations. In the 2010 midterm elections, the Republicans ran a good campaign based on this antigovernment theme and they exploited it well. The Democrats didn't counter this message at all well in the 2010 midterms and suffered as a result. The mainstream media has even got into the habit of using the term “conservative” to describe even the most extreme antigovernment policies and “liberals” as all those who oppose them.

What's interesting is for the past three decades of antigovernment sentiment in Washington, the White House and Congress has become more antitax and more antiregulation than they have been antispending. Therefore, they borrowed money to keep spending – which was really the first time in history the United States has run a deficit in peacetime. For all intents and purposes, the 1980s and 1990s deficit spending was an economic stimulus package by another name. That early deficit spending led to significant job growth, sure enough, but money wasn't being put into scientific or technological research. Instead, the money the nation was borrowing was being used for consumption and for other things which would distort the economy.

“From 1981 to 2009, the greatest accomplishment of the antigovernment Republicans was not to reduce the size of the federal government but to stop paying for it. As a result, the national debt more than quadrupled from 1981 through 1992, then doubled again between 2001 and 2009, even before the financial meltdown, which then required more government spending—the financial-system bailout, increased unemployment, food stamp, and Medicaid expenditures, and the stimulus—to put a floor under the downturn. At the same time, tax revenues declined as unemployment rose, businesses closed, and Americans spent less. Because interest rates are so low, it doesn’t cost much more to service the increased debt today, but when the economy picks up and there’s more private demand for money, interest rates will rise, and financing the debt will cost a lot more, leaving less money for investments in our future, including education, technology, research, and energy independence.”

The track record of successive administrations make for interesting reading. For example, there is the perception that President Obama’s policies have brought about the U.S. debt crisis. The reality is only \$2.4 trillion of the nation’s \$14.3 trillion debt has been generated by President Obama’s stimulus spending and tax cuts. That is far less than the \$6.1 trillion of debt acquired in President George W. Bush’s administration. The debt acquired during the terms of other recent presidents was \$1.5 trillion by George H.W. Bush, \$1.4 billion by Bill Clinton and \$1.9 trillion by Ronald Reagan. All other presidents who served before Ronald Reagan managed to acquire a cumulative \$1.0 trillion in national debt combined.

Why We Need Government

There’s been a lot of debate about why America needs a national government in the twenty-first century. Antigovernment activists suggest the federal government should concentrate solely on national security and trade deals and that anything else generates unnecessary taxes and free market interference. I disagree.

“I think the role of government is to give people the tools and create the conditions to make the most of our lives. Government should empower us to do things we need or want to do that we can only do together by pooling our resources and spending them in large enough amounts to achieve the desired objectives.”

What does that cover today? The government of the United States is responsible for providing:

1. *National security* – the military, intelligence agencies, homeland defense, border control, etc.
2. *Assistance to those who are retired or unable to help themselves* – Medicaid, Medicare, Social Security
3. *Equal access to opportunity* – job-training assistance, scholarships and educational assistance
4. *Economic development* – financing for businesses, incentives to enter new markets, minimum wage
5. *Oversight of financial markets and institutions* – to ensure transparency and open markets
6. *Advancement of public interests* – clean air and water, safe food, competition, consumer choice
7. *Investment funding where costs are too great for the private sector* – highways, electric grid, airports
8. *A revenue collection system* – to collect the taxes and issue the credits and deductions Congress mandates

Many Americans assume a large proportion of the budget of the United States goes into foreign aid or to fund government departments like the Department of Education and the Environmental Protection Agency but the stark reality is eighty five cents of every federal tax dollar is spent on Medicare, Medicaid, Social Security, the defense budget and interest on debt. All of the other government departments – including investments in the future like education, clean energy, research and so forth – claim only 15 percent of the federal budget.

“If you’re an antigovernment activist who wants to do away with all this stuff, you might use the deficit as an excuse to eliminate as much of the 15 percent as you can, but you won’t get rid of the deficit; you’ll probably force increases in state taxes to pick up some of the activities; and you’ll reduce the productivity of our workforce, our rate of economic growth, and our quality of life.”

So What About the debt?

“Even though our immediate priority should be putting people back to work and restoring healthy economic growth, the rapid increase of our national debt over the next ten to twenty years, if not addressed, will cause us big problems. According to the Congressional Budget Office, with the retirement of the baby boomers, the oldest of whom turn sixty-five this year, and inflation in health-care costs back with a vengeance, the debt is projected to grow to 100 percent of GDP by 2021 and almost 200 percent by 2035. We can’t let this happen. If it does, interest rates will explode, our GDP will be reduced, and our children’s future will be compromised.”

Logically, there are only three things which we can do to turn the debt problem around: cut government spending, raise taxes, and grow the economy faster. The debt problem is now so serious the United States must do all three. There are no other choices.

So how do we cut government spending, raise taxes and grow the economy in a smart way? Growing the economy goes hand-in-hand with creating more jobs and ideas on how to achieve that are given in the section entitled “What We Can Do.” With regards to the other two areas:

1. Cutting spending

Serious initiatives will be needed here. Defense spending can and will come down in the near future as the wars in Afghanistan and Iraq wind down. Social Security is not broke but it does suffer cash flow issues which will need to be addressed. If ideas are implemented to keep rises in the cost of Medicare and other federally funded health programs to match the overall rate of inflation, then hundreds of billions will be shaved off future federal budgets. There are all kinds of ideas and suggestions which are being floated in political circles to address these issues and the United States should be debating robustly and then implementing the best of these ideas. As a nation, we need to be working on this regardless of which side of the political spectrum our views are. The sooner we make long-term cuts in entitlements, the quicker we will be able to start making new investments in education, infrastructure, clean air and water, etc. – all of which are critical to our future growth and our ongoing quality of life.

2. Raising taxes

The simple reality is the United States cannot cut debt substantially, much less balance the budget, without raising more revenue. The most obvious ways to do this is by restoring the tax rates of the 1990s to individuals and to corporations. That would net about \$3.5 trillion over a decade. In the 1990s, unemployment was low, incomes were rising, poverty was declining and the federal government ran a surplus while the economy grew. Perhaps its time to go back to the future and to unwind all of the changes which have been tried since the 1990s and which took us away from what America did right in that era.

So what about the debt problem? Most of the responsibility lies with the antigovernment leaders who have supported big tax cuts, spending increases and an easing of restrictions on financial institutions.

“We have three choices on the debt. We can live with it, with higher interest rates, slower growth, lower incomes, less economic independence, and the loss of our global leadership. Or we can do what the antigovernment forces want, attacking the problem with spending cuts only, drastically reducing the federal government’s role in providing for future growth through education, research and development, modern infrastructure, and economic development; for a better quality of life in clean air and safe air travel, health-care and income security for the elderly; and for America’s continued world leadership. If we do that, we’ll lower our future economic growth, increase poverty and our already high level of income inequality, reduce our quality of life, and force other countries into alliances with nations that may not share our values and interests. Or we can act to strengthen both the economy and the government’s role in creating a better future by cutting spending and raising revenue in a fair, effective way. That’s what the president and most Democrats want to do. That is the course I favor.”

How Are We Doing Compared With Our Own Past and With Today's Competition?

"The most successful nations in the twenty-first century have both a strong economy and a strong, effective government. To make this case, look at how the United States is doing compared with our own history and expectations and at how we're doing compared with other countries that are our competitors for the future, both those that are already wealthy and those that are rapidly rising. Believe it or not, you'll see that quite a few are outperforming us in terms of education, technology, modern infrastructure, research and development, and high-end manufacturing. Many have lower unemployment rates, faster job growth, less income inequality, and lower poverty rates. Some even do a better job of giving their poor people a chance to work their way up the economic ladder into the middle class, the journey we know as the American Dream."

Over the past thirty years, the American economy has been "financialized". Antigovernment leaders have pushed through tax cuts, weaker oversight of the markets and lax enforcement of trade agreements resulting in an "on your own" economic and social policy which is the bedrock of the antigovernment philosophy. By any statistical measure you could choose, it has been a failure. Less jobs have been created, income growth has slowed, executive compensation has soared while middle class incomes have declined and the nation's GDP growth has become anemic.

To be certain, there are external factors involved in America's performance in recent decades as well so to do a reality check, let's compare how America has performed by comparison with other countries which have faced those same challenges as well. Unfortunately, the news doesn't get any better. When you look at the economic and quality-of-life measures for countries which the International Money Fund classifies as "advanced", some startling facts emerge:

- We rank third for income inequality behind only Singapore and Hong Kong.
- America's real unemployment rate is much higher than that of many other nations.
- We rank only eighteenth for high school graduation rates.
- We tied for first place with 16 percent of people in need who didn't have enough money to buy food.
- America has a high percentage of youth who start college but our graduation rate is very low.
- Seven other countries now rate higher than the United States for social and economic mobility.
- The United States ranks twenty-fourth out of 142 countries for the quality of its infrastructure.
- We rank fifteenth out of thirty nations for the quality of our broadband connections.

Admittedly, it's not all bad news. America still has by far the world's largest economy and a high per capita income. We're still a vibrant and competitive nation. We are still the world's most entrepreneurial country and American workers have a superior work ethic so all is not lost but the simple fact is the path we've been heading down over the past thirty years is not building on our strengths. Other nations are not just catching up but have surpassed the United States.

When you look at America's total tax revenue as a percentage of GDP, it was 26.1 percent in 2008 compared to an OECD average of 34.8 percent. That ranks the United States as thirty-first, with only Mexico and Chile taking a smaller percentage. It also means all of the countries which outperform the United States at the present time have higher levels of taxation and more government investments in the future of their people. That should give pause to the antigovernment advocates who suggest all taxes are bad, all programs are a waste of money and all regulations distort the perfect workings of the free market. If that is the case, why are other countries, facing the same pressure we do, doing better with more active governments?

"In the twenty-first century, the American Dream requires progress we won't achieve without effective government policies, including direct investments, incentives to speed business and job growth, and public-private partnerships to create an environment where these things can happen. Like it or not, there are a lot of things we have to do together."

WHAT WE CAN DO

“First, we need to get our game face on. Critics have been betting on America’s demise for more than two hundred years now. Nikita Khrushchev said the Soviet Union would bury us. In the 1980s, the Japanese were going to out-produce and out-trade us into oblivion. I could go on and on. You get the picture. No one can take the future away from us. But we can take it away from ourselves. Not long before the United States entered World War II, Winston Churchill famously said that America always does the right thing, “after exhausting all other alternatives.” We can’t afford to waste any more time exhausting dead-end alternatives. It’s time to do the right thing. The right thing is to put America back in the future business. There is simply no evidence that we can succeed in the twenty-first century with an antigovernment strategy. To get more economic growth that is more broadly shared, we’ll have to pursue the strategy that works.”

It’s time for America to stop acting like government is the problem. To move ahead, this nation must increase its bank lending and corporate investment, create more jobs that pay well and then make sure we have enough people to fill them. To achieve this:

1. *We need to end the mortgage mess as quickly as possible* – by allowing homeowners to have their mortgages reduced and their payments lowered. Banks and other lenders should be incentivized to get their housing loan portfolios into good shape and charge the lowest interest rate feasible. It will be hard to return to full employment unless the debt overhang is addressed sensibly.
2. *Let people who have government guaranteed mortgages refinance at lower interest rates* – by mandating that refinancing fees for performing loans should be low. More than \$30 billion a year would go into the pockets of middle-class families if half of the twenty-two-plus million homes in America were refinanced.
3. *Banks should be given an incentive to lend* – by having the Federal Reserve charge banks a modest fee (say a quarter of 1 percent) on all bank deposits it holds.
4. *Corporations should be given incentives to bring money back to the United States* – by amending the corporate tax laws. If the cash which was tied up in overseas corporate treasuries were to be injected into the U.S. economy, this would be a huge boost.
5. *Corporations should be able to repatriate their cash with no tax liability* – if they can prove the money is reinvested to create new jobs.
6. *President Obama’s payroll tax cuts should be passed* – because that will mean employees have more money to spend and employers will only get benefits if they create new jobs.
7. *The United States should build a twenty-first-century infrastructure* – by creating public-private partnerships to provide faster broadband connections, to build a smart electrical grid, to make America’s ports and airports more efficient and to upgrade the nation’s roads, bridges, rails and water and sewage systems. Build America Bonds could be offered to the Federal Reserve and the public.
8. *The process for approving and then completing infrastructure projects should be accelerated* – without compromising environmental or safety standards.
9. *We should launch an aggressive, fifty-state building energy retrofit initiative* – because changing the way we produce and consume energy will create jobs, cut costs, enhance national security and lower the trade deficit. Loan-guarantee funds could be provided or the utilities could be allowed to finance the retrofits themselves by allowing them to charge slightly more per kilowatt hour until the costs are recovered.
10. *State and local governments should be incentivized to have their own retrofit initiatives* – by allowing them to set up their own infrastructure bonds which will attract private capital. These public-private partnerships could create sizable savings and jobs.

11. *The pension funds should also become involved in energy retrofits for schools, colleges and government buildings* – this will create jobs for union members.
12. *Every building owner should be encouraged at least to paint their roof white* – because black tar roofs require 30 percent more energy for cooling on a hot day. Even greater energy savings can be achieved by planting greenery or growing gardens on rooftops.
13. *We should reinstate the tax credit for new green-technology jobs* – rather than capping these tax benefits. This has been a boost to the economy and its about to go away unless it is extended by Congress.
14. *Finish the smart grid with adequate transmission lines* – to cut down on electricity disruptions which cost \$100 billion each year in lost productivity. If the transmission capacity were in place, North Dakota alone could provide 25 percent of the nation’s electricity demand with wind generated power. A smart grid would move more energy consumption to off-peak hours as well.
15. *Increase the use of geothermal energy* – by providing tax incentives and development funding.
16. *We should turn more landfills into power generators* – as this is a great source of cheap power once the cost of the plant has been recovered. Many countries are doing this already and it’s time the United States harnessed this technology to create jobs, improve public health and free up land.
17. *The United States should develop our natural gas resources more fully* – as this is the ideal way to replace the old coal-fired plants which are scheduled to be decommissioned in the next few years. Natural gas is the ideal bridge fuel while other sources of clean power ramp up and we should maximize its use.
18. *We also should keep developing more efficient biofuels* – because they have the potential to be game changers. Biofuels, including biodiesel, should be promoted widely and research into these fuels should be funded.
19. *Not only should we keep in place tax credits for buying electric and hybrid vehicles, we should also convert more of the federal vehicle fleet into electric and hybrids* – in order to spur more competition and encourage new manufacturers into this field.
20. *The military should be used more to speed our much-needed transition to a smarter energy strategy* – simply because the federal government is America’s largest consumer of energy and the military is responsible for 80 percent of it.
21. *The Energy Department should be required to speed up the issuance of new energy efficiency rules for household appliances* – as this will save consumers \$15 billion a year for the next three decades.
22. *The balance of the Energy Department’s budget of \$13 billion should be spent where it will do the most good* – by investing in heavily populated areas where there is lots of highway and airport congestion. Competitive and safe fast rail networks would be hugely popular if they were available.
23. *State and local innovations for saving energy should be supported and encouraged.* States and cities are perfect laboratories of democracy and the United States should be picking up on their innovations and encouraging more, not restricting them.
24. *One or two U.S. states or territories should be selected* – and we should work intelligently to make them completely energy independent. Nevada (with its enormous solar and wind power capacity) and Puerto Rico (where all base fuel has to be imported) would be ideal for this. Find practical and workable ways to make Nevada and Puerto Rico energy independent and then the way to make this happen across the nation will be clearer to see.

25. *Work towards doubling U.S. exports by concentrating on high-end manufacturing and by getting more small companies into exports* – the same way Germany does. Exports account for 40 percent of Germany’s GDP compared to 11 percent for the United States. We need a comprehensive push to export more as a nation.
26. *The United States should sign long-term contracts to sell food to China, Saudi Arabia and other nations* – because food shortages are both a challenge for many nations and a huge commercial opportunity. The United States is the world’s largest grain exporter and we should be planting more wheat and soybeans for export with the end of the corn ethanol subsidy.
27. *The pending trade agreements with South Korea, Colombia and Panama should be fast tracked* – because we never have deficits with the countries with which we have trade agreements. We need more of them.
28. *We should enforce international trade laws more rigorously* – because enforcement has dropped off as we borrow more from those countries with which we have big trade surpluses. Simply put the United States should be tough on unfair trade practices.
29. *Serious efforts should be dedicated to increasing the export potential of cities* – since our hundred largest metropolitan areas already generate three-quarters of the GDP of the United States. We need to get even more businesses in our large cities involved in export trade.
30. *The United States needs to export more services* – like education, health-care and consulting services. Plans should be developed for growing our capacity to export these and other services.
31. *The government should be involved in helping spot emerging market opportunities* – and in helping American businesspeople get there before others do.
32. *President Obama’s National Export Initiative should be given more priority* – and everyone should be actively engaged in selling what this nation exports. A collaborative effort here to focus all our available resources could be a great boost for our exporters.
33. *The role and mission of the Small Business Administration should be expanded* – because small businesses have created most of America’s new jobs over the past fifteen years. The SBA needs to be modernized and rebuilt so that more funds can be provided to small businesses through loan guarantees.
34. *The concept of “crowdfunding” needs to be promoted* – to allow start-ups or small businesses to raise money from individuals. Securities laws should not apply to small entrepreneurs who are raising up to one million dollars in funding as the cost of the current regulatory process is prohibitive. It should be feasible for companies to secure small equity investors over the Internet.
35. *Ways and means need to be found to fill job openings faster* – perhaps by offering payroll tax exemptions or other benefits during training periods. Some states are already doing effective things in this area and the federal government should ensure all the states are offering options which will help.
36. *Extra incentives should be given to any companies which hire people who have been out of work for six months or longer* – perhaps by offering a longer payroll-tax exemption period. President Obama is proposing tax credits for businesses which hire the long-term unemployed. That sounds great as well.
37. *Employers should be given incentives not to lay off workers* – perhaps by encouraging adoption of the German system of “short work” where the government pays the employee 60 percent of their lost wages and they work reduced hours at their existing jobs. This turns out to be cheaper in the long run than paying full unemployment benefits and it keeps workforces intact during downturns. The United States should test this idea in areas where it’s most likely to succeed. Germany’s unemployment rate is 2 percent lower than ours so it does have the potential to work.

38. *It's time for American firms to "insource" the jobs they've been outsourcing* – by having the Department of Commerce identify and help fund firms which are retraining underemployed and dislocated workers in different industries.
39. *Programs which provide extra incentives for companies to invest in areas of high unemployment should be expanded* – like the New Markets Initiative and empowerment zones. Providing free training and the cash equivalent of a ten-year property tax holiday for these kinds of investments will create more jobs.
40. *Provide more incentives for young Americans to get degrees and take jobs in science, technology, engineering and mathematics* – by perhaps forgiving their student loans after a number of year's work in those fields.
41. *Keep pushing for comprehensive immigration reform* – or at the very least grant more H1-B visas to immigrants in science, technology, engineering and mathematics. A younger workforce is a competitive advantage and the United States should be creative in bringing this about.
42. *Bring more tourists to the United States* – by addressing the perception it's more difficult to visit after 9/11. We should be rebranding the United States as a highly desirable travel destination and getting the entire government actively involved in supporting this effort.
43. *The U.S. Government should promote affordable opportunities to "buy American"* – perhaps by making available e-lists and e-guides consumers can consult when purchasing products and services.
44. *Ground level initiatives like the "National Jobs Day" could be supported and publicized more* – we should be getting behind all ideas and strategies which encourage businesses to hire more. National Jobs Day aims to get at least a million more people hired between November 1, 2011 and Thanksgiving. Ideas like this should be encouraged.
45. *Offer an X Prize or its equivalent for ideas which promote innovation or job creation* – as this has proven to be successful in encouraging the development of fuel efficient cars and commercial space travel. A similar incentive might spark some great ideas for creating jobs.
46. *Find ways to scale and replicate prosperity centers* – clusters which provide education, training, research and technology-transfer capacity in different parts of the nation. All kinds of prosperity centers are cropping up around the United States and the federal government should look at ways it can increase its support for these.

"In this new, multipolar world, we can still be the world's best innovator; the world's best producer of new products and services; the world's best assimilator of people from every nation, race, religion, and culture; and the world's best example of shared opportunity and responsibility, demonstrating the power of both individual freedom and close cooperation and proving both the genius of free markets and the necessity of active government. We're in a mess now. At the dawn of the new century, after years of strong job growth, rising incomes, and declining debt, we abandoned a proven path to shared prosperity in favor of doubling down, once more, on antigovernment ideology. Now we're paying for it. Let's ditch the stale certainty of ideology and bring our values, ideas, experiences, and dreams to a real debate about the future. I wrote this book because I love my country and I'm concerned about our future. As I often said when I first ran for president in 1992, America at its core is an idea—the idea that no matter who you are or where you're from, if you work hard and play by the rules, you'll have the freedom and opportunity to pursue your own dreams and leave your kids a country where they can chase theirs. We've got to get America back in the future business."

– Bill Clinton