



**Your on the  
Street Reporter**



**Uyless Black**

**A National Marshall Plan?**

## **A National Marshall Plan? Report One: Nine Proposals**

**March 28, 2008<sup>1</sup>**

The Marshall Plan, called the *noble altruistic experiment*, was implemented after World War II to stave-off Europeans from destitution; to thwart the growth of Communism in Western Europe; to prevent the Soviet Union from making further inroads into Germany; and to halt Russia's drive to consolidate its hold over Eastern Europe.

The Plan was successful because (a) it was a bipartisan effort on the part of the United States government and citizens, (b) America had the wealth to make it happen, (c) Europe was in dire straits, and (d) the dangers of letting Europe fail would have catastrophic consequences---not only in Europe---but around the world.

### **Outlines for a National Marshall Plan**

America cannot be strong toward others if it is not strong unto itself. If we as a nation wish to influence the unfolding events of the world, we must have the leverage to do so. We cannot leverage anything if we have no lever. Below are some proposals to strengthen this country, under the name I call America's National Marshall Plan.

1. **Health Care.** America must repair its financial and economic house. This means getting health-care costs under control. Other countries have succeeded, so it is not magic. With will and a bipartisan Congress, it can be done. One way or the other, America must come to agree on a "noninflationary solution to Medicare's fiscal imbalance."<sup>2</sup> To ignore this problem is to ignore our long-term economic well-being. I place this item in front of any of the others in this plan because of its potential to undermine our future.
2. **Debt.** Beyond health-care costs, getting the house in order also entails making the dollar stronger. Long term debt will eventually debilitate an economy and its currency. Chinese and others will eventually shift to other countries' instruments. The good news is that the world's financial market (and America's debt) is so huge that some sales of US Treasuries will not create a crisis...at least in the short run. In the long run, such liquidation will be bad news on the US dollar and interest rates. The end result will handicap our options.
3. **Education.** Along with Medicare, and an issue that seems to be off the radar to most citizens, America must develop an Education Marshall Plan to fix our failing elementary and secondary school systems. Why not continue importing Pakistanis and Indians to keep America at the forefront of technology? Because increasingly, the talented foreigners, after gaining degrees from our fantastic colleges, are returning home.

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<sup>1</sup> Unless otherwise noted, the statistics cited in this essay are sourced from: (a) Greg Behrman, *The Most Noble Adventure* (New York: Free Press, 2007), (b) David McCullough, *Truman* (New York: Simon & Schuster, 1992), (c) Microsoft Encarta Encyclopedia, (d) Tony Judt, *Postwar: A History of Europe Since 1945* (New York: Penguin Books, 2005).

<sup>2</sup> Alan Greenspan, *The Age of Turbulence* (New York: The Penguin Press, 2007), 498.

A nation's productivity---the axle moving the wheel of economic prosperity---is directly related to the knowledge and skills of the nation's citizens. Several years ago, a book named *A Nation at Risk* warned about America's lethargic management of its pre-college educational infrastructure.

The risk (and danger) has grown since that time. As examples, some schools in Chicago are conducting classes for one-half a day because funding is not available to pay for the other half, leading to the situation in which the students are not taking science lab or foreign language training. The student-to-teacher ratio is increasing in most schools. Some teachers now buy supplies with their own money.<sup>3</sup> It gets worse:<sup>4</sup>

*America now has one of the highest high school dropout rates in the industrialized world. By their senior year, American high school students score lower on math and science tests than most of their foreign peers. Half of all teenagers can't understand basic fractions, half of all nine-year-olds can't perform basic multiplication or division, and although more Americans students than ever are taking college entrance exams, only 22 percent are prepared to take college-level classes in English, math, and science.*

The key ingredient to a sound educational system is a sound teacher. Fancy classrooms and computer screens are inconsequential to the learning process if the teacher is not competent.<sup>5</sup> The only way to lure qualified people into teaching is to pay them more.

In addition, America should develop a national plan to integrate vocational training in the high schools. In my part of the country (north Idaho), three of every four high school graduates never finish college and are left with no marketable skill. The good news is a pilot program up here sponsored by the Department of Labor. It's called School-to-Registered-Apprentice Program (STRAP), and will teach its high school students a skill *that is in high demand*. When the STRAP student finishes high school, he or she can move directly into the marketplace.

4. **Immigration.** Part of America's National Marshall Plan must address the immigration problem. Again, your Reporter does not have the answers. From my prosaic perch, I would like halting population increases in America in order to keep a few acres of space open between cities. But then I prefer trees to asphalt. Anyway, I'm told by the economists and the Marriott brothers that the wheels of America's commerce need more workers. With their recent trends toward smaller families, the Catholics are letting us down, so we must resort to immigration. Granted, the huge immigrations of the past couple decades, working at minimum wage, has helped curb inflation and helped grease the axle of productivity.

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<sup>3</sup> Barack Obama, *The Audacity of Hope* (New York: Random House, 2006),160. For examples, my neighbor buys supplies. And the half day teaching is described in Obama's book.

<sup>4</sup> *Ibid.*, 160.

<sup>5</sup> As well, I question the current fixation on having "computers in every class room, or a computer on every desk." Access to the Internet is cool. Access to software-driven learning tools is also cool. But they pale in comparison to the talents of the teacher in the classroom.

*But immigration on this scale and speed does not allow America's Melting Pot to melt.* For over five centuries, the fabric of our country has been woven with the threads of dissimilar peoples, coming together to stitch a broadcloth of assimilation. One in which ancestral reverence has been for the "old country," but allegiance has been to the "new country."

America is not giving these new arrivals the time to assimilate, to become part of America's heritage. It's fitting for an immigrant to bring his reverence for Simon Bolivar or Benito Juarez across the border into America. At the same time, it is equally important for the immigrant to acquire a similar reverence for George Washington and Abraham Lincoln.

Winston Churchill said, "*The farther back you can look, the farther forward you can see.*" I know of few countries that have held themselves together if they were (or became) balkanized. Just the opposite. Just look at today's Eastern Europe. Slowly but surely, the nations in this part of the world are being "re-created" along ethnic lines. The same goes for the Middle East and Africa. The fictitious "national" demarcations drawn up by the Europeans as they abandoned their colonial ruins and retreated back into their enclaves are being redrawn; if not with paper, with spear and gun.

I don't know the solution, but it would be a logistical, financial, and administrative nightmare to attempt to deport millions of illegal immigrants. Bill's Marriott Hotels would stop working, with a cascading effect on the economy.

Nonetheless, almost all Americans agree the illegal flow of immigrants must be stopped. For starters, it's destroying the cultural fabrics of parts of the southwest. Unless abetted with a more moderate influx, it will lead to the balkanization of this country.

Given time, most immigrants became part of America's fabric. We need not watch HBO's *John Adams* to appreciate the wonder of our Constitution and Bill of Rights. We learn how private property is sacrosanct. We gain an understanding---with an associated awe---of America's immunity from the fears of secret police. We marvel at our privilege to free speech and assembly. All well, good, and noble. But borrowing from the famous quotation, "A nation divided cannot stand." I claim, "A nation balkanized cannot function."

5. **Corporate Growth and Globalization.** America's quasi-capitalism must be allowed to continue its cycles of wealth destruction and creation. In the long run, this system leads to a more prosperous nation. However, the last few decades of mergers of smaller companies into giants is creating a dangerous situation. In the past, the failure of a company was no big deal for the general public because the failure did not ripple out into the economy. That is no longer the case, especially with globalization, and the resulting interdependence among and between companies and industries. For example, the failure of a large bank could severely affect the economy.

I've long held the view that companies should not be allowed to be so big that their

failure will require government intervention. If Uncle Sam is going to allow these companies to become Goliaths, then Uncle had better keep a close eye on their operations. Like it or not, that means tighter regulation. I don't like regulation; it leads to less competition and strapping-down companies with (often) silly rules. But I don't like my money being used to bail-out Leviathan Savings and Loans because of Leviathan's greed and/or ineptitude.

6. **Intellectual Property Rights.** Intellectual property rights must be part of the Plan. Granted, this is a sticky issue with regard to that vital cog of information societies: software. If you know my background, you likely know my stand on this matter: If someone creates something, he or she has ownership of that something and should be able to restrict others from gaining from the creator's creation. However, in our increasingly complex world, this paradigm is open to question. Take Apple's operating system for example. The use of icon-based images (for example, the famous trash can) led to a more productive computer user. When Microsoft melded these features into Windows, Steven Jobs took to the legal channels to deny Bill Gates their use.<sup>6</sup>

In the long run, the public suffers if Uyless Black is allowed to forever own his perpetual calendar software routine. I do not want to give it up, but I should. I hope the US courts will continue to follow this guideline, set forth by Alan Greenspan: "Are the protections sufficiently broad to encourage innovation but not so broad as to shut down follow-on innovations? Are such protections so vague that they produce uncertainties that raise risk premiums and the cost of capital?"<sup>7</sup>

7. **Oil.** Sooner than later, America must cut down its consumption of oil. I question the will of the average consumer to reduce his/her consumption. The average number of miles driven per driver---even with higher prices---continues to increase.<sup>8</sup> We bitch and moan, but keep right on truckin'. Bubba and Uyless are going to drive our pickup and SUV as long as the oil lasts.

We are playing a risky game. Not because of limited oil. For a while, there's a lot of the stuff in the ground. The problem is, the stuff is not in our ground. Furthermore, contrary to their bluster, nations with oil do not want their customers to reduce consumption. As Alan Greenspan says, "When I met with Ali al-Naimi, the urbane Saudi oil minister, in May 2005, even he was clearly uncomfortable with measures the United States was proposing to restrain oil consumption and, by extension, OPEC oil revenues."<sup>9</sup>

Other than a dent in our pocketbooks, what's the problem? Simple, our well-being is dependent on the ability and willingness of people to sell us oil. As stated, they want to sell, but---here is the monkey wrench in the cog---they reside in many of the most

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<sup>6</sup> A tidbit for history: Apple did not create these features. Apple "lifted" them from Xerox's Palo Alto Research Lab (PARC). In 1982, I toured PARC to evaluate the emerging Ethernet technology (also invented by a PARC scientist). I was impressed with Ethernet, but even more so with the amazing GUI (graphic user interface) on PARC's workstation's screens. They became part of Apple's legendary operating system.

<sup>7</sup> Greenspan, 497.

<sup>8</sup> Greenspan, 462.

<sup>9</sup> Greenspan, 439.

unstable political places on earth.

I think a partial solution---one which, as a closet libertarian, I find distasteful---is to place a very large tax on gas consumption. It would be phased-in over several years. Studies show that American drivers, while still increasing the mileage driven per year, the increase is slowing down. I suspect folks might look to hybrids (or gasp, walking) if a gallon of gas was the same price here as it is in Europe. *However, the revenues from this tax would be used to lower ongoing taxes to America's citizens.* I would favor a Marshall Plan-like counterpart fund arrangement: For each tax dollar that goes into the gas purchase, it is refunded back to the citizens. No pork barrel; no ear marks. We citizens would not suffer more taxes; we would simply say to each other, "You want to drive your gas-hog across the street to buy a Coke? Fine. *Supply and demand.* Pay up! ...and I'll take the receipts." Nothing more than capitalism in action. It's not laissez-faire capitalism, but America has long since abandoned the idea of non-regulated commerce.

Unfortunately, the ideas in the last paragraph will likely never see the light of day. They would require leadership and courage on the part of our politicians, who would be defeated at the polls by us voters, who can't see beyond the next \$50 gas refill. A sad state of denial.

8. **Income Inequity.** Associated with some of the thoughts above, many people believe America must address the increasing problem of income inequity. Simply increasing taxes on the rich is not the answer (nor is reducing them). So, is wage inequality my problem, or yours? After all, affluent folks pay more taxes; it's the government's responsibility to dole them out to the less affluent. From my vantage point, minimum wage jobs are entry jobs given to people with low skills or to young people entering the marketplace. As my accountant says, if a fifty-year-old man is flipping hamburgers at Wendy's that is his problem, not ours. I agree. In a market economy, one has to have something to offer the market. America is structured to reward those who work hard and/or intelligently.

For all our faults, our ace-in-the-hole is our insistence that we earn our way through life. This approach creates inequities in our society, but it also reflects reality.

Nonetheless, and given my preference for folks to earn their own way, a substantial underclass exists in our urban and rural ghettos, many of whom have had the rotten luck to be born on the wrong side of town or on the other side of the tracks. It is this population, the native-born disenfranchised, who need our attention and care. I'm not smart enough to come up with the answers. I think there will be poor always, but I also think---regardless of the moral and ethical considerations---that it is in the long term interests of America to diminish the size of this underclass. On this subject, I admit I straddle the fence. Social welfare creates a permanent dependency on the system. Yet, we must have social welfare programs to help those who have no leverage on life.

**A Sidebar Idea: Bring back a WPA.** A politically risky approach---one that would help re-vitalize our roads, our inner cities...those pesky failing bridges---would be a national plan akin to the Works Projects Administration (WPA). A brilliant program, in the late

1930s and early 1940s, it put people to work and helped build and rebuild America's infrastructure. Uncle Sam told his citizens, "You are unemployed? Fine, here is some work for you. If you work, you will be paid. If you do not work, you get nothing from the government trough."

Granted, the WPA did not unto itself solve America's unemployment problem. Nor did it jump-start the staggering economy. But it put millions of people back to work, and they worked with a sense of dignity.

In my travels through America, I sometimes come across WPA projects. They have an enduring legacy. One of my favorite places to visit is the Bandelier National Monument in Northern New Mexico. Its buildings and other facilities were created by WPA workers.

Will this plan be effective in the 21<sup>st</sup> century? I'm told by the sociologists that people who are on the dole for doing nothing do not have a motivation for doing something. I agree. Cut off the dole for doing nothing, and it is amazing how motivated a person can become. They start doing something.

Especially troubling is the perverted compensations to high-level officers in publically-held companies, who make hundreds of times more dollars than an average worker. No less a raw capitalist than Carl Icahn (also known as America's premier corporate raider) laments the income given these people. He and I are of the notion that American managers are less competent than before. If you disagree, just compare how American industry operated in the 1940s and 50s to the way it operates today. Compare the time it took to ramp-up for WWII to the time it has taken to ramp-up to the Iraqi War. On "60 Minutes" a couple weeks ago Icahn said, "I see our country going off a cliff, and I feel bad about it."

9. **Security.** As part of the immigration/border issue (and security breaches in general), we must be prepared to spend billions of dollars to secure our shipping ports and improve our land entry points. Additional and better detectors must be installed (soon) at ports and border crossings. The program will not be cheap.

In the next segment of this report, we return to two subjects introduced earlier: Medicare and the National debt.

## A 21<sup>st</sup> Century Marshall Plan? Report Two: Alice in Wonderland: Medicare and National Debt

**April 7, 2008**

Hello from Your On the Street Reporter. I had intended to lay this report to rest and move to more frivolous subjects. But after watching a Charlie Rose program last week, I thought one more segment would be appropriate.

After receiving comments about my opinion that America needs a National Marshall Plan, a couple of readers informed me some of our business leaders have come to the same conclusion. But unlike our political leaders, they are trying to do something about it.

Charlie Rose's guest was Peter G. Peterson, co-founder of the Blackstone Group---a private-equity, asset-management firm. He laid out these problems: Seventy-eight million baby boomers are nearing retirement age, which will lead to even larger Social Security and Medicare deficits. He said America in the near future will have more than \$44 trillion of unfunded "promises" to its older citizens----equal to about *three times* our gross domestic product (GDP). A staggering burden. He said income taxes would have to be doubled to pay for this debt.

After watching this show, I came across statistics showing the total health spending (private and public) as a percentage of GNP for several countries:<sup>10</sup>

United States: 15%  
France: 11%  
Germany: 10.5%  
Britain: 8.5%  
Japan: 8%

It would be reasonable to assume that America's lead in health spending would translate into America's citizens living longer. This is not the case. Here are the average life expectancies of citizens of these countries:

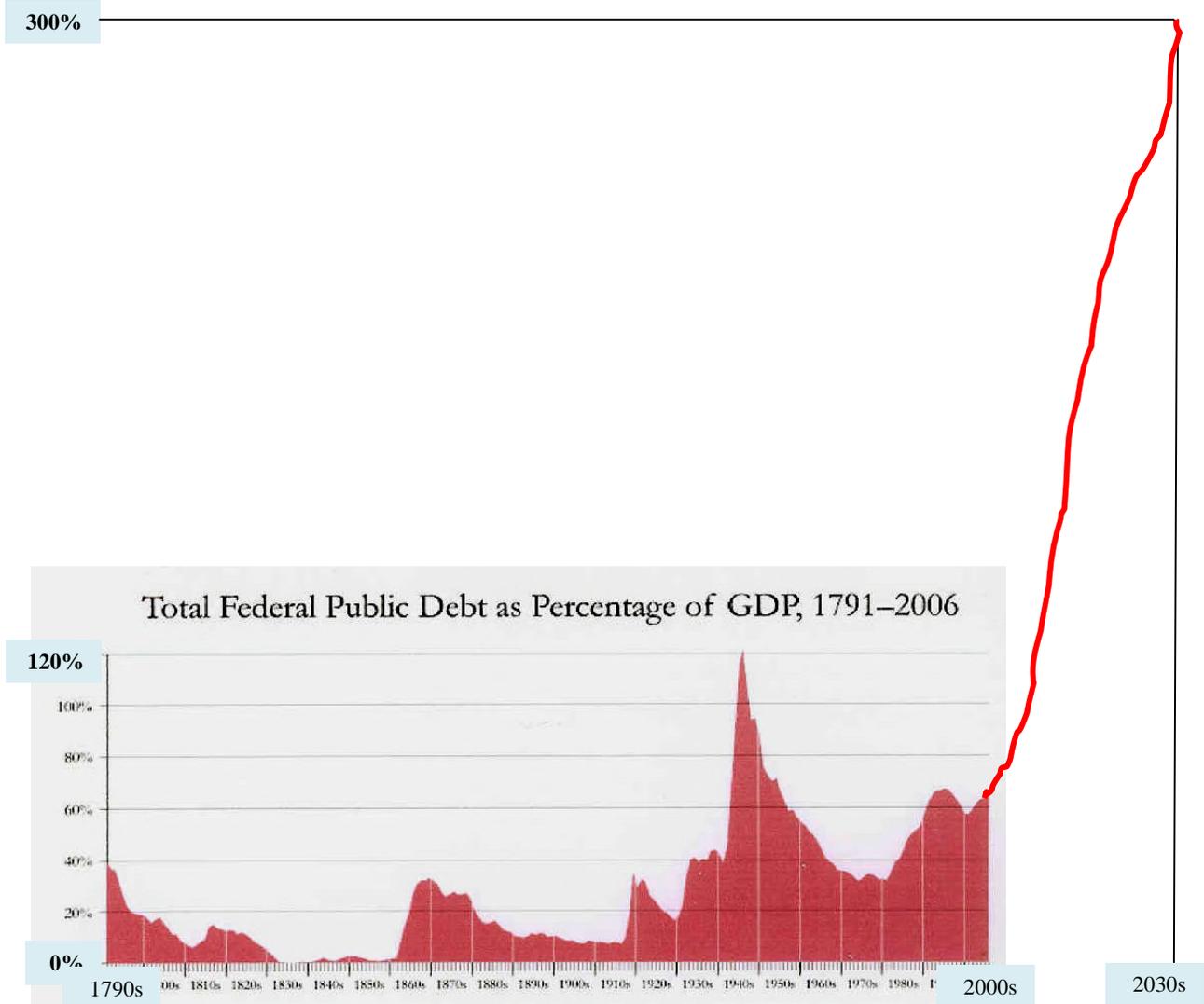
United States: 79.2  
France: 81.2  
Germany: 79.9  
Britain: 79.4  
Japan: 82.7

We could conclude that the American citizen is paying more in health care than other countries in order to live a shorter life than the citizens in those other countries. Partially true, but other factors come into play: notably our obsession with fast food. We eat more French Fries per person than the French, who had the tasty morsels named after them.

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<sup>10</sup> I replaced my initial data with this more recent information to stay current. It's from *The Economist*, "Life is Expensive," May 30, 2009, 12.

Figure 1<sup>11</sup> extrapolates a graph of the US total federal public debt as percentage of GDP from 1791-2006--- then to 2030. Please pause and take a look at this graph. Does Mr. Peterson have our attention? Can he gain the attention of our citizenry? Of our political leaders?



**Figure 1. Projected federal public debt.**

Mr. Peterson wrote an article in the April 7, 2008, issue of *Newsweek* (p. 56). In the article, he offers:

- “Our current-account deficits are unprecedented, fed by record trade deficits. Such dependence on foreign capital is dangerous.”

<sup>11</sup> Source: [http://en.wikipedia.org/wiki/United\\_States\\_public\\_debt](http://en.wikipedia.org/wiki/United_States_public_debt).

- “We already spend *twice* as much per capita (on health care) as other developed nations, with no appreciable differences in health outcomes or longevity. These ballooning costs threaten the very competitiveness of American industry.”

Mr. Peterson, if I may offer this story: Upon qualifying for Medicare, I suddenly entered another world. Gone were the checks and balances of (a) my self-rationing of health care services to myself, and (b) my insurance company’s restraints on my visits to doctors, or the number of x-rays, EKGs, and MRIs I could schedule.

As best I can tell, no one is in charge of the program, except perhaps the American Medical Association (AMA). Not once have I been questioned about a service. Want a second opinion? A third? Go ahead. Don’t trust the first x-ray of your hip injury? No problem, go across the street for another snapshot.

With some exceptions, doctors won’t advise against a treatment. Why should they? Their livelihood depends on keeping their appointment schedule booked. Nor will the emergency rooms turn us away for even a minor problem. The MRI folks are eagerly awaiting our next thousand dollar scan. And so on.<sup>12</sup>

I now have my own private, but publically funded social welfare trough, and like all senior citizens, I’m hogging-down the medicinal victuals! After all, during my working years as a self-employed businessman, I paid over \$4,000 a year for a \$5,000 deductible health insurance policy. It was an emergency plan. With the exception of one year, I never passed this threshold. Like many gray panthers, I paid my dues. It’s time to collect.

And am I ever collecting. I’ve entered a world of quasi-gratis health care, one without fiscal discipline. For a couple hundred dollars a month---deducted from my social security check---I’ve ended-up with a deal that would make the most ardent socialist glow with glee: (a) Practically free, unrestrained access to the world’s best medical system, with (b) A fat social security check to boot.

And the costs to my government vary by huge amounts depending on where I live. Uncle Sam will pay-out twice the dollars for my health expenses in one city than another. Yet, it is known that the people in both those cities have the same life expectancy.

As I’ve stated in other essays in *America’s Finances* series, I am not certain we citizens have the will to right our ship. Mr. Peterson says,

- “These challenges require sacrifice. That means everyone. We fat cats will have to pay more taxes. The government will have to spend less. Everyone will have to save more. ... Our law makers are enablers, either joining us in the state of denial or trying to anesthetize us.”

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<sup>12</sup> Our current health care system reminds me of walking through an Alice in Wonderland landscape. It’s just too unreal to be real. And therein lies the irony of this upcoming tragedy: It is very real.

- He believes we can fix our problems, “I refuse to believe that we have become so selfish and self-absorbed that we don’t care about our children’s future and America’s leadership in the world.”

He is more optimistic than your Reporter, but then, Mr. Peterson has more resources to tackle the problem. He is putting \$1 billion of his own money into a new foundation. It will propose “workable solutions (to the problems) and build up the public to put them into effect.”

He plans...yes, a campaign of “bombast,” similar to the efforts to sell post-WWII America the Marshall Plan for Europe:

“How do we educate the young about the crisis they will face if things aren’t changed?...We need to go to where the young people are: new media, bloggers, YouTube, Facebook, MySpace, MTV and networks and Web sites that have not even been invented, and that is what my foundation will try to do.....Maybe someone...to counteract the AARP.”

We can only admire Peter G. Peterson---the son of a poor Greek immigrant---for his success and his willingness to take-on a mess. We can only admire the William Buffetts of the world, and the Bill and Melinda Gates for their efforts.

But it’s time we all pitched-in. As Mr. Peterson says in closing his column, “The ultimate test of a moral society is the kind of world it leaves its children.”<sup>13</sup>

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<sup>13</sup> Quote from Dietrich Bonhoeffer, a pastor who was instrumental in the anti-Nazi movement in Germany.