

WINNING AMERICA'S FUTURE



POLICIES FOR SUCCEEDING
IN THE GLOBAL ERA



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FOREWORD

Political parties that don't offer new solutions to the challenges our country faces don't deserve to lead. It's that simple.

We are, to be blunt, at a pivotal moment. Thanks to advances in telecommunications and huge investments in educational systems around the globe, hundreds of millions of new workers are entering the global job market, competing for the kinds of jobs we want for our children and grandchildren. That, of course, is a potential threat.

At the same time, as economies around the world develop, hundreds of millions of new middle class consumers emerge as potential customers for American products and services. And this is a real opportunity.

So how do we ensure that all Americans can participate in this rapidly changing economy?

Back in December 2005, some of the most innovative policymakers within the Democratic Party gathered at a conference center in Maryland to discuss how Americans can best deal with changes in the global economy. The discussion, convened by the Democratic Leadership Council and facilitated by the Aspen Institute, was the inspiration for this book, which aims to start a debate about how to make America smarter, stronger, and safer.

America has become the greatest country on earth thanks to our ability to create and innovate, our hard work and determination, and our unbridled optimism about the future. Yet over the last six years the Bush administration, along with the Republican-led House and Senate, has squandered one opportunity after another to harness the strengths of our people and put America on the right path.

These economic failures place the challenge to lead squarely with the Democrats, and doing so is both good for our party and right for our country.

We were proud to help lead December's retreat because we are so committed to helping Americans compete and win in the global era. We joined with innovative leaders from all levels of government and are grateful to them for their hard work at the retreat and in the months since.

This book does not set out to answer every question about globalization, but it does ask the question we all need to answer: How will America succeed in the new global era? We look forward to your feedback on the book. It is full of ideas, and we believe it is a good start. We commend the DLC for challenging elected officials to be part of the solution for identifying the kinds of initiatives that ought to be part of the Democratic agenda. And we recommend this book as a resource to elected officials, policymakers, and other innovators committed to ensuring that this country's future is as bright as its magnificent past.

INTRODUCTION

America is at a turning point. The world has changed dramatically in recent years, bringing new challenges and opportunities to our country. In Thomas L. Friedman's recent book, *The World Is Flat*, he describes how America's leadership is being challenged by a convergence of factors that flatten the global playing field, eroding the economic and technological high ground we enjoyed for much of the 20th century. Meeting the challenges of the flat world will be one of the central tests of American government in the decades to come.

The thesis of this book is simple: In order to succeed in the flat world, we must develop policies that make America smarter, stronger, and safer. By giving individual families and communities the tools to deal with the flat world on their own terms, we can build a country that is empowered, not threatened, by globalization. It is only by embracing the flat world that our country will be able to take full advantage of its benefits.

For half a century, America has been the world's leader politically, economically, and technologically. Many of us take our success, and the benefits it entails, for granted. However, America's ascent to its current position in the world economy was neither accidental nor inevitable. Over the course of our history we have been fortunate enough to have leaders who took what Theodore Roosevelt called "the long look ahead." They made investments in our nation's educational system, economic infrastructure, and national security that allowed us to grow, innovate, and improve the lives of generations of Americans. Now, a new generation must take on new challenges so America can lead and grow in the century ahead.

This book offers a series of policy proposals that can be implemented on the state and local level to help America lead in the new century. The ideas are divided into three sections: education, economy, and security. Some of these ideas have been in the DLC playbook for some time and have already proven successful in cities and states across the country; others are fresh from the drawing board, waiting to be used. What they share is a recognition that the world is changing fast and that American students, workers, and governments must work hard to keep up.

In education, the proposals emphasize raising the bar so our children can compete and win. Among the key proposals:

- ▶ Guarantee 14 years of schooling for everyone, so that young Americans can build the intellectual capital they will need for a lifetime;
- ▶ Start a math and science initiative modeled on the national response to Sputnik in order to retain our competitive advantage;

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- ▶ Give children Life Investment Funds for Education (LIFE) Accounts to help young people pay for higher education and achieve their dreams;
- ▶ Require longer school days and school years to catch up to our Asian and European counterparts;
- ▶ Teach creativity in the curriculum, because innovation is critical to creating new products and building a new economy;
- ▶ Focus on the teaching profession by improving pay, reforming teacher tenure, and installing measures of accountability; and
- ▶ Introduce efficiency audits to ensure that every dollar we spend on our schools is being used effectively.

The new world we live in also demands that America become stronger and more flexible economically. That means becoming more competitive and helping workers succeed in the new global marketplace. The proposals detailed in this book include:

- ▶ Create portable pensions and health insurance so that as employees move from job to job their health care plans and pensions follow them;
- ▶ Form regional health care pools and alliances so small businesses can more easily offer coverage and employers of all sizes can drive down health care costs while improving quality;
- ▶ Spur private technology development through innovative business tax credits;
- ▶ Promote the use of broadband internet for more Americans;
- ▶ Expand Regional Skills Alliances to help workers gain new skills that will help them get jobs in burgeoning local industries; and
- ▶ Cement the foundation of family life that America was built on by giving parents more time to care for their children.

The same economic and technological developments that present people with new opportunities today also present new security threats. On security issues, the proposals in this book include:

- ▶ Make America less dependent on foreign countries for our energy;
- ▶ Create local counterterrorism forces and emergency service corps;

- ▶ Update communication systems so first responders can coordinate emergency response;
- ▶ Improve the security of identifications cards;
- ▶ Update our food security practices to prevent biological attack; and
- ▶ Support our troops by aiding military families when troops are abroad, and by helping military men and women transition into high-quality jobs when they leave the military.

While the world has fundamentally changed in recent years, our policies so far have done too little to catch up. America's education system was developed at a time when a high-school diploma and a strong work ethic were enough to achieve a middle-class lifestyle. America's safety net was created at a time when companies provided health insurance and pensions and most people stayed with one company for much of their working lives. The challenges faced by Americans today are entirely different, but rather than stepping up to help people meet those challenges, our policies have let the risk and the burden fall on the shoulders of individual workers and their families.

The flat world requires that we rethink what security means. Job security, financial security, homeland security, all of these phrases mean something different now than they did 10 years ago. It is no longer enough just to get a good job and hold onto it, or to build a strong army and rest assured that no one will attack us. Security in the flat world does not mean keeping things the same, but changing and adapting better, faster, and more efficiently. In the face of change and challenge, there is a strong temptation to step back and fight to keep things the same. But America's success has always sprung from its eager embrace of the future and its confidence in things to come. That forward-looking attitude will serve us well in the flat world if we match optimism with prudence and prepare wisely for the future. The bottom line is that change is coming whether we like it or not. The only question is whether we benefit from it, or whether we fall behind and lose the benefits of the flat world to nimbler and hungrier countries.

While today's circumstances are unique, this is not the first time America has faced a crisis of competitiveness. In 1957, the Soviet Union launched the Sputnik satellite, catching America off-guard and marking the dawn of a new era of scientific competition between the two superpowers. For an entire generation of Americans, the sound of Sputnik beeping its way across the sky served as a reminder that America's position at the forefront of science, technology, and economic growth was by no means guaranteed.

Today America needs that same determination with which we confronted the Cold War as we confront the challenges of a flat world. Regrettably, foresight and leadership have been sorely lacking at the national level in recent

years. Instead of investing in the future, the federal government under Republican leadership has instead chosen to cut taxes and run up the deficit, squandering our country's future for short-term political gain.

Across the country, however, there are far-sighted state and local leaders who are working to adapt government to the flat world and give their citizens a chance to succeed. While the solutions to many of the challenges we face must be found at a national level, there is much that can and should be done at the state and local level. The purpose of this book is to share state and local policy ideas that can keep America at the forefront of the world economy, even as it develops in ways that will be difficult and unexpected.

If innovation is the key for businesses competing in a flat world, it is also critical that government demonstrate an entrepreneurial spirit as it develops policies for the future. Rather than sitting back and letting change wash over our country and communities, our leaders must be entrepreneurs, looking for opportunities to give our citizens the edge they will need to succeed in the flat world. Not everyone will agree that all the policies in this book are the best approach to reach this goal, but a vigorous debate can only help improve our chances of finding the right solutions.

This book is more a menu of options than it is an agenda for people to sign onto. Every state and region is different, and what is appropriate in one state might not work in another. Even among the authors of the book there is not consensus that every one of the policies should be implemented as it is described here. What we all agree on is the critical importance of taking a fresh approach to policymaking in the global era. We also agree that the impasse on policy progress at the federal level has been devastating. On some issues, such as energy independence, the best hope ultimately is for a federal strategy. But in the meantime, states and communities throughout the country must do what they can.

Even as we discuss what governments can do to help our citizens thrive in a flat world, we must also recognize that America needs more than just smart policies. We need to promote a culture that values flexibility and creativity. It is only through the daily lives and personal decisions of millions of Americans that we can achieve the goal of competing successfully and building a safe and prosperous future. Our political leaders have a role to play not only by their policymaking, but also by starting a national conversation about the challenges we face.

We hope that this book, *Winning America's Future*, will help to begin the conversation.

ABOUT THIS BOOK

The idea for this book grew out of the December 2005 Wye River Leadership Retreat organized by the Democratic Leadership Council and the Aspen Institute. At that event, 28 state and local elected officials, staff of the DLC and PPI, and a number of other participants gathered for a long weekend to discuss the challenges that confront the United States in this era of rapid economic and political change. From those meetings a consensus emerged that while the current national political scene is producing little in the way of farsighted reform, the state and local level is filled with bold, entrepreneurial ideas, and that there are a variety of opportunities for new ideas to be tried out. While this book is a menu of ideas, none of the participants at Wye or those who helped craft it may agree with every proposal, the policy discussions that took place during the Leadership Retreat form the basis for this book.

There are many people who devoted time and effort to creating *Winning America's Future*. In particular, crucial comments and suggestions came from Al From, Bruce Reed, Jason Newman, Holly Page, and Debbie Cox Bultan at the Democratic Leadership Council; and Paul Weinstein, Michelle Stockwell, Jan Mazurek, Dave Kendall and Edward Gresser from the Progressive Policy Institute. In addition, we would also like to thank all the participants of the Wye River Leadership Retreat who helped devise the framework for this book, with a special thanks to Jack Markell who inspired the original idea and helped craft the specific discussions, and to Comcast and Deane Shatz for their support of the Wye Retreat and the work that has followed.

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EDUCATION: RAISING THE BAR

An excellent education is a prerequisite for success in the flat world. Over the past 25 years the world has shifted away from an industrial economy to one that increasingly rewards creativity and innovation, a change that will only accelerate in the years to come. To prepare our citizens for the demands of this economy, our schools and universities must provide an education that emphasizes deeper subject matter knowledge, develops problem-solving abilities, and encourages critical thinking skills. We must give our teachers the tools, working conditions, and incentives to excel. We must give our students the financial, disciplinary, and social support they need to learn. Above all, we must make education a political and cultural priority second to none. This section offers a series of ideas that will bring about that type of educational system for our citizens: guaranteeing 14 years of education; a new “Sputnik” educational initiative; lifelong education accounts; more time in school for children; emphasizing creativity in the classroom; approaches for building great faculties; models for improving teacher pay; and school efficiency audits.

COLLEGE FOR EVERY AMERICAN: 14 YEARS OF UNIVERSAL EDUCATION

In the flat world, education is a key predictor of success. The U.S. Census Bureau reports that, on average, graduates of four-year colleges earn more than twice what workers with only a high-school diploma earn.¹ As the world grows flatter, this gap may grow even wider.

For decades, every child in America has been able to obtain a free public education through 12th grade. This guarantee has given millions of people the opportunity to build a better life. But the days have passed when a high-school education was enough to build a solid career and support a family. A college education is now essential to achieving a middle-class lifestyle. Every American should have the chance to reach that goal, so every American must have the chance to go to college.

But even as the educational demands of the innovation economy have increased and as more countries have extended advanced education opportunities to their students, the U.S. is going backward, cutting federal student loan programs by \$12.7 billion² while the cost of post-secondary education is rapidly increasing.³ As a result, fewer students will be able to secure low-interest loans, and more students will struggle to afford a college education.

An underskilled workforce is an issue that harms individuals, communities, states, and the entire country as well. Skills attained in technical schools, community colleges, and four-year universities give students a vital edge in the global economy. Graduates with specialized skills find their career more resilient to outsourcing and experience a higher standard of living. State education initiatives are also long-term investments; people who have high-skill employment are a benefit to a state's budget rather than a burden. Extending guaranteed education through two years of community or technical college or half of a four-year university would give thousands of students an opportunity to obtain the skills necessary for success in the flat world and give an important advantage to the communities they live in.

States have a wide variety of options for pursuing the goal of universal college education. In 2005, Gov. Jennifer Granholm of Michigan announced the creation of a merit scholarship program that rewards student success in higher education. Every student who completes two years of college will receive at least \$4,000 in scholarship assistance, the equivalent of two years of community college, which can be used either to pay off their student loans or to fund further education.⁴ Built into the program are standards of accountability intended to motivate students to complete additional training

and education; students cannot receive the scholarship funding until they have completed their two years of community college or attained junior status at a four-year college. Students must also attain those goals within a reasonable time period or they lose the assistance.

By making scholarships widely available but simultaneously demanding commitment and focus from recipients, states can provide strong incentives for students to complete college degrees. State and local governments can also offer additional incentives to motivate students to enter areas of employment needed in a state, such as science or engineering fields, or to remain in-state after graduation. These measures can give tens of thousands of students the opportunity to attend community colleges and universities.

In a flat world everyone needs to have specialized skills beyond what is taught in a traditional K-12 education. Promoting those skills should be at the top of the agenda for states serious about enhancing their global competitiveness.

A NEW “SPUTNIK” EDUCATIONAL INITIATIVE

In 1957, when millions of Americans heard the sound of the Sputnik satellite flying over the United States on the radio, they heard first-hand evidence that America was trailing the Soviets in the space race. Today, there is no beeping Sputnik to tell Americans that we are losing the race to graduate students with high-level science and engineering degrees. But we are falling behind, not to an adversary like the old Soviet Union, but to trade partners like India, China, Japan, and South Korea. According to Thomas Friedman’s *The World is Flat*, only 5 percent of American undergraduates graduate with engineering degrees, compared with 46 percent in China.⁵ The number of American science and engineering PhD recipients is shrinking as well. Meanwhile, China, India, and other countries are investing enormous resources in further developing their institutions of higher education.

In recent decades, the United States has made up for these trends by relying on foreign science and engineering students who came to America to study, but stayed to build businesses and drive innovation. However, since 9/11, foreign students who wish to study in the United States are finding it more difficult to acquire a student visa.⁶ With no alternative, they are electing to continue their education at home. In the past five years, foreign institutions have made vast progress in the quality of their doctoral education and are now starting to compete with America’s best institutions.⁷ While we still have the strongest system of higher education in the world, we cannot simply assume that will always be the case. Only recently have we started to recognize our deficit in graduating science and engineering PhD’s, and thus far we have done little to reverse this trend.

Fortunately, there have been glimmers of action on the federal level to address this problem. A recent bill called the “Protecting America’s Competitive Edge” (PACE) Act is designed to promote math and science education based on a number of recommendations made by the National Academy of Sciences.⁸ It proposes 10,000 scholarships for students to become science, technology, engineering, or math (STEM) teachers and 25,000 scholarships for students to pursue undergraduate degrees in math and science; establishes non-profit organizations to promote advanced placement courses in our high schools; and advances several smaller initiatives to train teachers and increase research funding.⁹ Existing budget pressures, however, mean this promising bill has many hurdles to overcome.

In addition to possible federal action, states and local governments need to embark on a bold plan to increase the number of students graduating with advanced science and engineering degrees. While this should never be accomplished at the expense of other vital subjects such as English and foreign languages, which are also essential for success, an increased focus on math and science is in order.¹⁰ At the elementary and high school levels, states that are currently developing math and science standards under No Child Left Behind legislation should set high standards and ambitious goals for steadily increasing the number of students meeting those standards. As school districts hire more math and science teachers through the PACE scholarships, more students should be enrolled in high-level STEM courses, and small and rural schools should focus on offering more high-level AP/IB STEM courses. As students consider their options for college, high school guidance counselors, administrators, and teachers, with the aid of their state and local governments, should be more actively encouraging students to enroll in science and engineering STEM programs and highlighting the scholarship opportunities that are available. Advanced classes should also start at an earlier age so more college freshman entering mathematics-related fields can enroll in Calculus III or an equivalent advanced class.

At the college level, states need to provide scholarships to encourage more students to enter math and science programs at public universities. The best students should be given full-tuition scholarships for completing math and science degrees so more of America’s best and brightest enter these fields. To make certain that states profit from these educational investments, governments could utilize loan forgiveness programs to ensure that talented young people stay in state and benefit local economies. A portion of the student’s loans could be forgiven each year a student resides in the state after graduation, encouraging students to stay and find jobs in the area.

It is important to give students incentives to pursue STEM education, but in order to be successful, they must also have skilled teachers. The National Academy of Sciences has made two key recommendations to improve STEM teaching that can be implemented at the state and local level. The first recommendation is to

upgrade the skills of current teachers by offering one- or two-week summer courses to keep them up to date with their subject material and to help them exchange successful teaching practices. The second recommendation is to provide local universities with grants to offer part-time master's degree programs in STEM fields for area teachers. States should consider both of these recommendations, as well as additional compensation for participation, as they look for ways to build vibrant scientific education programs.

People with engineering and mathematics degrees are a driving force for a state's economy, creating new jobs and new industries that can help employ others who do not have advanced degrees. Research and development will turn into production and exports, a fact that is vital not only to the trade balance but to the health of the American economy. If we graduate more scientists and engineers, America will reap the financial benefits of our technological superiority.

LIFE INVESTMENT FUNDS FOR EDUCATION (LIFE) ACCOUNTS

Children born in the United States today have too few options to prepare them for the rapidly rising cost of college. If parents do not start a college tuition fund years before the child graduates from high school, college tuition may be too expensive to be a practical option, and many young adults will find themselves lacking the skills to secure a good job in the new economy. Particularly for low- and middle-income households that are already struggling to make ends meet, putting aside money for college tuition can be completely out of reach.

States should help children realize the promise, and flat-world necessity, of post-secondary education by creating Life Investment Fund for Education (LIFE) Accounts for every child. In Britain, Prime Minister Tony Blair succeeded in establishing "birth accounts" into which the government automatically deposits up to \$1,500 over the course of a citizen's childhood. This money cannot be accessed until the child reaches his or her 18th and 21st birthday.¹¹ Kentucky is also looking at a similar idea proposed by State Treasurer Jonathan Miller called the Cradle to College Proposal, and a group of non-profits, universities, and foundations are funding the Saving for Education, Entrepreneurship, and Downpayment (SEED) program in Michigan to test the benefits of childhood savings accounts.¹²

If a state initially invested \$750 at an average 7 percent interest rate upon a child's birth, the account could be worth \$2,500 by the child's 18th birthday.

In addition to the initial deposit, small amounts of additional money could be invested at later dates. To give parents incentive to contribute to the account each month, states could offer partial matching funds capped at a specific dollar amount each year. The plan could also be coordinated with existing 529 accounts. The money could be placed in a stable large pool account like a mutual fund or IRA with tax-deferred benefits.

The LIFE Accounts should be readily accessible. An online system would allow families to track their investment progress year-to-year, pick a range of investment portfolio options, and give them ownership of their educational future. The online accounts could also provide information about personal finance and interest simulations, so families can estimate the ultimate worth of their investments. Children should be able to have a separate login to view their savings without making changes, complete with information geared toward the specific age group of the child. LIFE Accounts could also partner with private banking institutions to allow children to invest allowances or work money into their education savings.

States could place other socially useful requirements on the LIFE Accounts that would have to be met before young people access it, such as curriculum standards to promote math and science education (or other needed professions), or a public service/volunteerism requirement. Kentucky's proposal would require that students receiving the child savings accounts must participate in military or civilian service (such as Americorps).¹³ LIFE Accounts could also be reduced or eliminated (minus the family's investment) if the student commits a crime, or if they choose not to pursue post-secondary education; the forfeited funds could be used to finance future LIFE accounts.

Valuing one's education starts at a very early age. By giving a child a LIFE Account that they can watch mature, states can give that child a greater sense of financial and emotional investment in their education, while also providing an incentive to succeed.

LONGER SCHOOL YEAR, LONGER SCHOOL DAY

Global competitiveness is not something we can retain in six hours a day, nine months out of a year. Our school year is a relic of a century ago, when many students spent their summers helping out on the family farm. Times have changed, but our school system has not, leaving our students at a disadvantage. As American students are coming back to school in August or September and reviewing material they have not seen in nearly three months, students in foreign countries are learning new concepts.

Most American primary and secondary school students attend class for just 180 days a year, compared to approximately 220 days a year in Japan, South Korea, and Taiwan.¹⁴ Over 12 years, that means the United States provides longer than one year less schooling than these technology centers. Next to those countries, students in China, India, Australia, and England all spend more than 200 days in the classroom. And it shows. America's test scores are significantly lower than those of our Asian and European counterparts. According to the National Center for Education Statistics, in 2003 math scores of American 15-year-olds' were below 23 other nations and below the average for the member nations of the Organization for Economic Cooperation and Development (OECD).¹⁵

States should consider ways to increase the amount of education children receive. Students who engage in a longer school year can spend less time reviewing old material at the start of school years and more time learning new concepts, while still having a substantial summer vacation. Lengthening the school day can provide more time for individual learning, more time away from the TV and engaged in physical and intellectual activity, and decreased after-school childcare costs for working families. Most importantly, research shows that longer school days are correlated with higher test scores.¹⁶

The mechanics of increasing the amount of time children spend in school are challenging. State and local governments that wish to increase the school year can do so on an incremental basis, reconfiguring the school calendar to accommodate 10 percent to 20 percent more school days. With support from their state government, local governments can act using small-scale pilot programs, showing the positive educational results of transitioning to a longer school year. As school days grow longer, the schedule should be flexible later in the day to accommodate traditional extracurricular activities such as sports, arts, or music. During those activities, students should earn credits for physical education, fine arts, or other courses, rather than duplicating those classes during the day and taking time from core math and science curricula.

Some states are already looking at longer school years. School superintendents in Minnesota advised that the state add nearly 25 days to the school calendar, from roughly 175 days to 200 school days.¹⁷ Their primary concern was that Minnesota students were losing ground to foreign competitors. The Minnesota Legislature, however, has thus far shown no willingness to support the idea.¹⁸ But the short-term costs of extending the school year must be weighed against the long-term costs of a workforce that does not have enough education to compete in the flat world. Those costs are very high indeed.

Extending the school year and the school day would be a slow, challenging process, a process that will be as much about changing attitudes as it will be

about changing policy and meeting increased costs. It will undoubtedly encounter resistance from those who want school to remain basically as it was 100 years ago. But nostalgia is not a viable policy option. Surviving in a flat world will require everyone to realize that if we do not give the extra effort to stay competitive in a global marketplace, we will fall behind.

TEACHING CREATIVITY

While most educational reform proposals focus on raising traditional standards of education, the type of standards that can be measured with a bubble test, other facets of education are equally important. In a global economy where students all over the world are getting rigorous training in the 3 R's, one of the comparative advantages that America still holds is its creative energy and innovative thought. Even as manufacturing has declined, America's economy has grown, due in large part to constant innovation. From the entertainment industry to Silicon Valley, American creativity has been one of our main exports. Companies like Apple, Ebay, Google, and Microsoft were started by people who had more than the book smarts measured by SAT tests; they also possessed the capacity to see the world as it could be, rather than as it was.

Creativity is not a talent that simply emerges, it is something that must be cultivated and encouraged from childhood. Students who graduate from high schools and colleges where inventiveness has been fostered can go out into the world with a greater sense of their own ability to make change. Young people who are imaginative and adaptive are sought after in the business community. Increasingly, business leaders talk about a "war for talent," where they find that fewer people are able to adapt to changing times and to think innovatively about problems.¹⁹

Sir Ken Robinson, a British expert on creativity education, explains that while most people would agree that innovation is important to economic success, they have vast misconceptions about our ability to teach it. Most people associate creativity with a single subject area: the arts. Furthermore, some people also incorrectly believe that only certain people are creative, and that teaching creativity is the "opposite of discipline and high standards."²⁰ That, however, is rarely, if ever, the case.

School districts across the country should embrace a new focus on creativity in the curriculum. For example, school districts can create creativity boards, or have staff members review teacher curriculums to focus on implementing creativity. State and local governments, corporations, and foundations must place a greater emphasis on asking our schools and teachers to accentuate and incorporate the learning techniques that work best to foster innovation and creativity.

Creativity cannot be taught by a single class, or in a single year. And it does not just exist in artwork or original writing (though they are still critical). Creativity permeates all subject areas, and can be integrated across the entire curriculum and at all grade levels. As the British National Advisory Committee on Creative and Cultural Education has recommended, the mission statements of school districts should be changed to reflect their commitment to training students to think broadly and resourcefully.²¹ This change would serve as a message to students, teachers, and parents that creativity is valued. We will also have to consider how this focus on creativity should be reflected in modifications in tests and test preparation.

Education leaders will increasingly need to place a greater emphasis on creativity. “Best practice” techniques for teaching innovation can be compiled by teachers. As a society, we must work to emphasize creativity in the classroom curriculum, with states expressing the general need for creativity, and local governments deciding how to best implement it within a local agenda. In an era of a rapidly changing economy, new technology, and global competition, creativity has a key role to play in every school’s curriculum.

IMPROVING OUR APPROACH TO TEACHER PAY

America’s best teachers, and the teachers that serve children with the greatest needs, are not being compensated adequately or fairly for their skills. Teacher pay in too many public school systems, unlike salaries in almost every other profession, is not evaluated based on performance, demand, or differentiated responsibilities, but rather on a formula consisting of years of experience and advanced education credits. What is the result of the current system? A situation in which teacher compensation too often fails to recognize and reward those teachers who demonstrate greater skills, who have more difficult responsibilities, or meet performance standards.

As a nation, it is time to think differently about teacher compensation. First, we need to recognize that teachers frequently are not paid adequately given their increasingly crucial role in the success of our children and our nation. Second, we must face the reality that while the traditional salary grid still offers a solid foundation for basic pay, additional measures that reward performance need to be added. Local governments like Denver and Douglas County, Colo., are experimenting with skills-based, performance and differential pay models in partnership with local teachers’ unions.²² In knowledge and skills-based pay models, teachers are rewarded for demonstrating competence in key areas that are known to improve learning outcomes. Performance-based pay rewards teachers for measurable increases

in the performance of their students or for having achieved specific performance objectives. Differential pay provides extra incentives for teachers who meet important needs, such as teaching in low achieving schools or providing skills in subjects with documented teacher supply shortfalls, such as math, science, special education, or speech/language pathology.

These new ideas for innovative pay models are not perfect. Legitimate concerns, raised by teachers and their unions, are still being addressed. Performance pay, for example, that is based exclusively or heavily on student test scores, can cause teachers to compete for the best students, undermining cooperation and community within the school.

Local officials and school districts should experiment with new compensation plans. For example, schoolwide or departmentwide bonuses that reward schools or departments with the greatest overall improvement in student test scores can encourage a coordinated team approach to boosting student achievement. Under the leadership of Gov. Tom Vilsack, the state of Iowa's "Team Based Variable Pay" pilot program has experimented with various methods for making this system work.²³ Other individual merit pay systems focus on compensating teachers for the improvement in their students' scores, rather than their overall performance. For example, if a teacher raised his or her students' test scores by an average of three percentile points (in comparison to their performance the previous year), they could receive a monetary bonus. By indexing the bonuses to a student's improvement in the context of the entire state, this system makes it less advantageous for schools or teachers to simply pick the brightest students.

Local school systems, with the support of state and local governments, can continue to be the leaders on compensation as new models are developed and piloted. The devil is in the details of such systems, but it is only through persistent experimentation that the details can be worked out. We owe it to America's students to be diligent in our pursuit of better ways to reward their best teachers.

BUILDING GREAT FACULTIES

In order to compete in the New Economy, students must be assured of an education under the tutelage of highly qualified and motivated teachers. The best teachers are ones who have not only mastered their teaching material, but have also mastered the art of teaching. Schools do best when they hire the right teachers in the first place and pay them salaries that reflect their central importance to society. Teachers should not have to make impossible financial sacrifices to pursue their profession. But adequate pay is

not the only issue. Many young teachers do not immediately have the requisite skills to be excellent teachers without advice and counseling from a more experienced colleague. In addition, many school systems find it nearly impossible to eliminate teachers who have been teaching for several years, but whose performance is detrimental to a student's education.

In response to these challenges, the Toledo Public Schools and the local Federation of Teachers created a program called the Toledo Plan.²⁴ Under this plan, every new teacher is paired with a senior instructor who serves as a mentor during the new teacher's first three years in the classroom. The mentors provide advice and assistance, and also evaluate whether the new teacher is suited for the profession. This process gives young teachers feedback at the beginning of their careers and helps to screen out bad teachers before they receive tenure and become difficult to remove. In addition to new teachers, low-performing tenured teachers can also be matched with senior teachers to help them improve their skills. If they fail to make progress, however, the mentor can recommend their removal from the school.

This strategy has proven to be highly effective. In the years after the program was instituted, 300 teachers, including almost 50 tenured teachers, were removed from the Toledo school system.²⁵ Moreover, in contrast to many other cities, those dismissals have rarely been challenged by the teachers' union.²⁶ Another Ohio mentoring program, in Columbus, has reduced by nearly 50 percent the number of teachers who need remediation.²⁷

By providing regular, substantive evaluation of teachers, programs like the Toledo Plan can serve both as management and professional development tools. Another interesting example of this approach is the Delaware Performance Appraisal System (DPAS II), which provides a state-wide system for measuring teacher performance in five main areas, including a component that considers student achievement. Evaluators will be able to use this data to identify excellent teachers, recommend improvements for struggling teachers, and to facilitate dismissal proceedings for failing teachers. Presently, DPAS II is undergoing a two-year pilot period with the full partnership of the Delaware Department of Education, two school districts, and the state teacher union.²⁸

These programs can be supported by teachers because they are administered by their peers, who have an intimate understanding of what makes an effective teacher in that school district. In addition, thousands of new teachers have received the benefits of close, personal mentorship. In recognition of its achievements, the Toledo Plan received the prestigious "Innovation in American Government" award from the Kennedy School of Government at Harvard University.

The education of America's children is too important to have it be a perennial political football. America urgently needs to overcome old political rivalries in order to retain great teachers and remove those who fail.

SCHOOL EFFICIENCY AUDITS

Schools across the nation are facing budget crunches. Demands on the education system to maintain curricula, meet the requirements of No Child Left Behind (NCLB), and provide extracurricular activities are stretching resources and forcing schools to make challenging trade-offs. At the same time, many school districts are facing a public that is unwilling to pay more to meet NCLB requirements or provide other educational needs.

A savvy public is more willing to invest in education when they perceive that money is being spent wisely. As the DLC and PPI have profiled in the past,²⁹ Virginia and Kansas have led the way in implementing programs to review and improve the efficiency of their education spending. In 2003, Gov. Mark Warner of Virginia started a statewide review process, bringing in auditors and management specialists from Virginia's Department of Planning and Budget to work with individual school districts to cut excess administrative spending and funnel those funds into the classroom. Those efficiency strategies were then shared with school districts across the state.

In Texas, former State Comptroller John Sharp instituted a similar program to bring in management specialists from the private sector to work with school officials on finding inefficiencies and potential cost savings in their operations.³⁰ This school-by-school approach to cost savings can potentially be one of the most successful education efficiency measures. Not only can professionals identify beneficial changes in accounting and management, but they can also train current staff to implement those changes.

Efficiency alone will not improve education. Increased effectiveness is also essential. *Standard and Poor's* has developed an accountability system called the School Evaluation Service³¹ (SES) which examines school spending and compares each district's spending with the students' standardized test scores.³² The SES program uses sophisticated business techniques to identify the performance level of schools. SES found no statistical relationship between the amount of money a school spends and the corresponding results on test scores. While this does not mean that spending does not matter, it serves as dramatic proof that money is not the only answer. By using this method to identify outperforming and underperforming schools, states can study both groups to discover the real reasons behind their performance.

Using innovative business methods to reduce school inefficiencies can reap long-term benefits for school districts, allowing them to focus their resources where they will have the most impact on improving children's education. State and local officials must be leaders in providing the most efficient education services to their students.

PROSPERITY IN THE NEW CENTURY: SUPPORTING GROWTH AND EMPOWERING WORKERS

The flat world poses many challenges for American workers and businesses. Workers are being asked to assume ever more risk, managing their own health care and retirement, while at the same time competing with a growing global workforce. Businesses, meanwhile, are facing foreign competitors that may enjoy lower costs and fewer regulations. To address these concerns, America must craft a new social contract - business and labor policies that support growth and innovation, but ensure that workers are empowered by the changes of the flat world, not left vulnerable. Specifically, we must: provide portable health and retirement security; cover all workers in risk pools; spur innovation tax credits; adopt an American broadband project; organize regional skills alliances; and give families more time together.

PORTABLE HEALTH AND RETIREMENT SECURITY

In the New Economy, changing employers is increasingly common. As companies face a rapidly evolving business environment, they hire and fire employees rapidly in order to respond to the latest economic trends. For workers, this insecurity is an enormous financial and personal burden. In order to square the economic realities of the flat world with the needs of American workers, we must make changing jobs more painless.

Currently, moving from one job to another is a complicated process that includes the challenges of transitioning health plans or selecting a new health plan, finding ways to enter new pension plans or extending benefits from a previous employer. The solution is clear: As people move from working at one job to another, or from the corporate world to freelance work, their health and retirement benefits should move with them.

State health pools, described in the “Cover All Workers” section, could be extended to all workers in a state and be made portable from one place of employment to another. Instead of having independent workers negotiate with insurers themselves, they could be given the option of having the health plan pool negotiate for them. In addition, employees in large health pools could be given a “menu” of health care coverage options so that people can compare and select the most appropriate coverage individually, much like health plans that congressional representatives and senators have given to themselves. Coverage would continue so long as the worker has a job, and businesses could pay their matching contributions directly into the risk pool plan.

Pension plans should also be made more portable. Receiving, or trying to receive, multiple retirement checks from different pensions, such as government pension plans, IRAs, Roth IRAs, and 401(k)s can be a chaotic process. Those who held many jobs throughout their lifetime but do not have expensive retirement experts at their disposal find it difficult to understand the tax implications of multiple accounts and plan wisely for their retirement. In addition, some pension accounts left with a previous employer can be subject to bankruptcy proceedings such as those at United Airlines, and others to Enron-style corporate malfeasance. Younger employees often cash out 401(k) plans to save the inconvenience of managing an account with a previous employer. Most often the money does not get reinvested.³³

States can help cut down on this confusion by encouraging the federal government to simplify the tax code by eliminating the numerous pension plans and combining them into one universal portable pension plan. This

universal pension (UP) could combine all federal pensions and IRAs. Workers should be able to transfer some of their vested 401(k) accounts into their UP after three years, and roll the entire 401(k) into the UP if they leave their current job, allowing the account to be diversified and insulated from corporate bankruptcies and wrongdoing. Workers could be given a variety of investment options to choose from, making the plan appealing to those who have either a low or high tolerance for risk, and allowing employees to have control over their retirement plans.

Security in healthcare and pensions is critical to making sure that employees can move around the marketplace with ease. In the New Economy, countries that allow their workers to move quickly between old and new industries will have an edge on the competition. As we pursue these goals, we need new systems that allow American workers to know their health care and retirement will be safe and manageable.

COVERING ALL WORKERS

Health care costs, perhaps as much as any other single factor, are harming the competitiveness of American businesses. For large companies that provide health insurance, the high cost of care puts them at an almost insurmountable disadvantage to foreign companies that only pay a fraction of what they do for health care. For the average small business, the costs of medical care are rising so fast that it is difficult to afford health insurance for its employees.

The costs of health care are ultimately passed down to the American consumer, who pays for the costs of health insurance with each purchase. For example, the price tag of each car manufactured by GM includes more than \$1,500 extra for the health care of past and present employees.³⁴ Those costs are also transferred to consumers in international markets, which makes it hard for American businesses to sell their products overseas. This is especially true for small businesses where such costs can add more to the bottom-line than larger companies.

In the long run, America needs a national solution to this problem. But in the short run, the reality of noxious partisanship in Washington makes this an unlikely goal. While a comprehensive national solution may be a long way off, states can do a great deal to help their citizens. Massachusetts recently passed a bipartisan plan to make health coverage nearly universal by requiring individuals to carry insurance while also providing subsidies for poor people who cannot afford insurance on their own. It will be years before the effectiveness of this plan can be assessed, but it represents the sort of experi-

mentation that should take place in order to find the best ways to cover all Americans.

The Massachusetts plan is not the only potential approach to expanding health coverage. One very promising strategy is to help cover workers in larger risk pools, coupled with targeted assistance to make coverage more affordable. This lowers the risk for everyone involved and provides workers with a stronger negotiating position than they would have on their own or through a small employer. Maine, for example, has created a comprehensive health plan called *Dirigo*, which has decreased the number of uninsured while saving \$44 million last year alone, money that will be used to expand and improve health coverage throughout the state.³⁵ Programs like *Dirigo* can also use their size and influence to demand a greater emphasis on preventative medicine, more transparency in hospital pricing, and other reforms that benefit patient health.

Another strategy from the other side of the country is to join together the purchasing power of public and private employers in a region in order to reduce wasteful and inefficient health care. Three Seattle area counties, Snohomish, King, and Pierce, have joined together with private employers such as Boeing and Starbucks, as well as unions, health plans, doctors, and hospitals, to form the Puget Sound Health Alliance.³⁶ The alliance aims to improve value for money in health care by setting quality standards that can be applied throughout the region; using information technology to share health care data; and expanding the impact of the successful reform initiatives of individual employers by implementing them on a large scale. For example, King County is on track to reduce the projected growth in its health insurance premiums by one-third using a program that rewards employees for taking responsibility for preventing health care problems before they become costly illnesses.³⁷

While there are many possible ways to address the health care crisis, a few principles are clear. First, relying solely on private plans like health savings accounts (HSA) to fix health care will leave a disastrous number of people in America uninsured, and will do little to keep the price of health care from skyrocketing out of the reach of ordinary Americans.³⁸ Second, without government measures to promote preventative medicine and create larger risk pools, more Americans will go without health insurance. Finally, doing nothing is unacceptable, as average Americans continue to pay the exorbitant costs of emergency care for the uninsured.

For many Americans who are independent workers, freelancers, and small business owners, creating large state risk pools could dramatically lower premiums and bring health coverage back into reach. In addition, joining the purchasing power of large employers and large risk pools can reduce health care costs for all workers rather than reduce their benefits. State and local officials need to build creative and forward-thinking systems to keep Americans

healthy, and to allow small businesses to keep their overhead costs low and compete in the global marketplace.

INNOVATION TAX CREDITS

Innovative technology is a key to continued economic growth. Economists believe that new technology drives about one-third of all new economic growth in the United States,³⁹ but in recent years the research and development (R&D) budgets of many companies have started to decline in the face of international competition. Additionally, the federal tax credit for R&D has been unpredictable. The credit is reauthorized on a year-to-year basis, often after the credit has officially expired, making companies hesitant to rely on an inconsistent source of funding.⁴⁰ Foreign countries, looking to spur economic growth of their own, have been heavily supporting R&D budgets. Canada, for example, provides a 20 percent to 35 percent⁴¹ R&D tax credit to businesses based on the size of the business. America needs to make a similar, long-term commitment to invest heavily in R&D ventures.⁴²

The benefits of tax credits are significant.⁴³ First, the increased revenues generated by tax credits return the initial investment of taxpayer's money by building a long-term revenue base. Second, R&D provides high-paying technical, service, and administrative jobs related to the research. Third, tax credits can bring whole new industries into a state, or prevent industries from outsourcing research programs. Thirty-four states have seen the need to boost their own R&D tax credits, with Rhode Island having one of the most aggressive tax credit programs.⁴⁴

Importantly, states are developing smart tax incentives to prevent corporations from misusing the money, and to ensure companies are not using resources to provide jobs in zero-growth industries. Accountability measures that limit the tax credits only to research are essential to using taxpayer's money responsibly and resourcefully. Well-designed R&D tax credits promote projects that would not occur without public assistance, and studies have shown that such credits have successfully done just that.⁴⁵

While some critics argue that tax credits cause states to compete with each other to attract businesses,⁴⁶ a flat world means that companies are now able to move R&D projects to the other side of the world as easily as from state to state. Keeping ahead of the technological curve is critical in a flat world. While the federal government should do more, state and local governments also have a responsibility to spur new technologies and boost their local economy.

USING UNIVERSITIES TO SPUR GROWTH

The American economy may be driven by creativity and innovation, but it takes more than just a good idea to get a business off the ground. It also takes money and infrastructure. Universities are at the heart of the research that fuels America's economic growth,⁴⁷ but often the benefits of the technological innovation that takes place in there do not stay in the region. In a flat world, people can take public ideas and use them to build companies across the country or anywhere in the world. To enjoy the benefits of innovation created in local universities, state and local governments need to provide the right environment, researchers, and access to capital to help turn ideas into thriving local businesses.

One way to catalyze growth is offering seed money for start-up companies, much like what is being done at the University of Michigan with the Wolverine Venture Fund, a venture capital fund that looks to invest in local companies with connections to the university, such as companies started by former faculty or companies that have developed as a direct result of university-led research. The WVF, which is staffed by students and faculty of the University's business school, typically invests \$50,000 to \$200,000 in the early stages of a growing company.⁴⁸ The WVF also partners with other venture capital firms to ensure that companies receiving money have enough early money to grow successfully.

Public venture funds can be a smart investment for taxpayers. They are created with a one-time allocation of money, which is then invested in promising companies. Over a period of years, that money is returned with the growth of the business, allowing the capital to be re-invested. At the same time, the business helps provide a new source of tax revenue, contributing to the community and making venture funds a win/win situation for taxpayers and local businesses alike.

States can also help create high-quality locations for businesses to develop such as the Research Triangle in North Carolina. Research Triangle Park (RTP) in North Carolina has been extremely successful in bringing mainly high-tech jobs into the area between three universities.⁴⁹ Formed in 1959 by a public/private partnership between investors and the state, RTP uses a combination of infrastructure development, tax credits, small business loans, and bond issues to make the development a desirable place for companies to locate.⁵⁰ Just as important, by creating a business park near three major universities, RTP has provided companies with access to the best minds in high-tech fields. Research has shown that businesses benefit from local "star scientists," and businesses that collaborate with scientists

tend to have more products in the market, more products in development, and more employees.⁵¹

The RTP has developed useful services including interim laboratory facilities to provide start-up companies with everything they need to grow and succeed. Today, RTP houses more than 136 companies, including research facilities for IBM and other technology giants that employ more than 37,000 workers. It is second only to Silicon Valley in the number of high-tech firms that call it home, creating a vibrant economy in the heart of North Carolina.

Michigan and North Carolina are among the states that have learned that creating the right environment and providing startup capital for businesses can turn universities into catalysts for long-term economic growth. As America competes for business in the flat world, creating tech-friendly environments in more states will be vital to our success.

AMERICAN BROADBAND PROJECT

The New Economy is increasingly coordinated, operated, and reliant on high quality broadband Internet access for everyday operation. Many companies, like Dell, rely on the Internet for a large portion of their sales, and the Internet has become essential for new zero-inventory efficiency models. But the uneven distribution of broadband access across the country has made it impossible for many individuals and businesses to take advantage of new opportunities for efficiency.

The transition to broadband faces a difficult initial hurdle. Since access costs roughly twice what dial-up Internet costs, many customers are unwilling to make the transition unless there is enough broadband-only content and applications to make it worth the increased cost. Only about 24 percent of households that could have broadband access actually subscribe.⁵² Internet providers, on the other hand, are unlikely to invest the money in broadband-specific content unless there are enough subscribers to make the investment worthwhile. Broadband deployment is a particular challenge in rural areas, where distances between homes are greater and costs are higher. Some Internet service providers simply do not see the profitability in installing broadband Internet access where infrastructure development is expensive but only a quarter of users will pay extra for the service.

Local governments can play an important role in resolving this dilemma and promoting the success of their regions in the flat world economy. By offering tax credits to offset the installment and hardware costs, local governments can help overcome the greatest initial barrier to transitioning to broadband. Once this hurdle has been cleared, businesses can more reliably

provide telecommuting opportunities to employees, expand content they provide, and more effectively partner with companies around the country and around the world.

The benefits of universal broadband access would be substantial for a variety of different communities. Cities can benefit from telecommuting by reduced traffic congestion. Rural areas can benefit from both tele-medicine and tele-education, which can provide top-notch services to underserved areas. Tele-medicine, which can be done from a local clinic, or eventually from home, can give access to a specialist who can review medical information provided from the local clinic, with the information provided through a secure online connection. Tele-education can allow rural high schools to receive specialized training without the need to consolidate. Students can receive college credit from public and private institutions by participating in class lectures. State and local government investment in broadband Internet access can also improve the way citizens interact with all levels of government by increasing the accessibility and efficiency of government services. The more access people have to affordable, high-speed Internet, the more governments can move their resources to providing convenient government services online, allowing forms, parking tickets, and taxes to be filed electronically.⁵³ Police and other safety officials can upload large reports and provide streaming video of safety notices or warnings online.

The question in the end is not whether this country will eventually have widespread access to broadband. That is virtually certain. The issue is how soon fuller broadband access will be available, and who will catalyze it. A wait and see approach means America will lag behind its global competitors. If state and local governments step up and take action, our economy, our government, and our citizens will be the winners.

REGIONAL SKILLS ALLIANCES

In the flat world, workers need to work continually to attain new skills that will be useful in emerging industries. Workers with advanced skills can learn higher salaries, are more likely to retain their jobs, and are more likely to find another job quickly if theirs is lost, making them less of a burden in state unemployment programs. As new industries emerge, mature, and disappear faster than ever before, smoothing employee transition is essential. Capital for training programs among small and medium companies, however, is lacking and industries often cannot find enough American employees to meet their needs.

In response, many states have formed public/private consortiums called Regional Skills Alliances (RSAs), which bring together employers, labor unions,

public agencies, and local schools, pooling resources to train workers for emerging job opportunities in the region. The mission of RSAs is to provide training for jobs for which there is a real demand. By bringing disparate stakeholders together, they make this possible in ways that none of the groups could achieve on their own. Why doesn't the private sector do this already? At least two factors are relevant: First, emerging industries often do not have the capital to create extensive training programs. Second, company-led training programs are often short-sighted, training employees for needs foreseeable in the next year, rather than training employees for what may be needed a few years into the future.

There are numerous examples of successful RSA programs throughout the country. The DLC and PPI have profiled many such organizations.⁵⁴ One of the more extensive RSA programs is the Wisconsin Regional Training Partnership (WRTP),⁵⁵ centered in Milwaukee. The WRTP was formed by a group of metalworking firms in conjunction with the AFL-CIO, local workforce development boards, and technical colleges. Instead of focusing on one field, WRTP offers training in many regional industries and is setting up "career centers" for clients where, in addition to job training, community members can find counseling, youth apprenticeship programs, and other services. Another example which has served as a model for subsequent programs was the Massachusetts Software Council Fellowship Program,⁵⁶ a private nonprofit corporation whose mission was to retrain workers for high-skill jobs in the software industry. Formed in 1993 by the Massachusetts Software & Internet Council and co-funded by the state of Massachusetts, the program trained more than 600 individuals for software jobs.

Another interesting RSA is Project QUEST in San Antonio, Texas, which offers long-term training for low-skill workers.⁵⁷ It provides workers with the skills to seek jobs with higher salaries and helps employers fill critical open positions. As of 1999, Project QUEST graduated more than 900 workers whose incomes rose an estimated \$5,000 to \$7,500 per year. One of the newest RSA initiatives is the Michigan Regional Skills Alliance (MiRSA), established by Gov. Jennifer M. Granholm in 2004. The project provides more than \$1 million in grants to develop 13 RSAs across the state.⁵⁸

Countries and communities that are able to help move workers from one industry to another quickly will have fewer problems with unemployment, low wages, and stagnant job creation. While American businesses, unions, schools, and governments have different goals and different methods, they share the goal of a strong, growing economy. Job security, in its traditional sense of working at one job your entire career, is increasingly obsolete. Work security, having the skills to get well-paying jobs in a fluid economy, urgently needs support.

GIVING FAMILIES MORE TIME

At the root of America's success as a society has been the strong bonds forged in our families and the promotion of values that support our civic life and democracy. Today, fewer families can afford to spend the amount of time together that they need, undermining the social structures that have been crucial to the American way of life. Too many children lack sufficient time with their parents, and too many families have trouble staying together.

Many other industrialized nations are implementing policies that value family while transitioning to compete in the global economy. The United Kingdom, for example, provides 26 weeks of moderately compensated leave for mothers after childbirth.⁵⁹ While the Family Medical Leave Act (FMLA) in the U.S. was a good step in allowing families (and especially new mothers) time-off without being punished by their employers, many families are financially unable to afford the leave and thus do not take advantage of it. California is currently the only state that offers paid family leave after childbirth or adoption.⁶⁰

Family leave, especially after childbirth or adoption, is essential to providing families with strong foundations. A great deal of research has shown that infant/mother attachment, especially during the first year, is very important to cognitive development and a key factor in educational attainment.⁶¹ More governments should make family leave a priority in their states and give families a chance to create strong bonds with their children prior to returning to the workforce.

There are a variety of policies that could benefit families, some at federal level and some that states can implement themselves. One plan involves drastically increasing the child tax credit in the first years of a child's life. Under the current plan, the child tax credit is \$1,000 until the child's 18th birthday, an increase from \$500 enacted during the 2001 tax cuts. Increasing the child tax credit to \$2,000 or more if one parent stays home full time for the first one to three years of a child's life would give parents more flexibility. It would also allow families transitioning to one income-earner status a half-year or more to adjust to a different income level.

Another interesting idea would be to pay parents a small compensation during their weeks off using state unemployment insurance or state temporary disability insurance. The unemployment insurance would pay a percentage of the parent's actual pay for the first several weeks (6 weeks to 12 weeks or more), and a flat amount of money thereafter (to the number of weeks each state allots). This is basically the plan that Britain has adopted. While the

payments after the initial number of weeks are very modest, they can be enough to ease the adjustment for newly single-income families.

The goal of any plan should be to help families spend time together. In a flat world, there is constant pressure to work ever longer, a tendency that left unchecked is bad for individuals, families, and communities. It will take a concerted effort for government to provide different incentives, but without healthy families, our society will surely suffer.

A SAFER AMERICA: IMPROVING STATE AND LOCAL SECURITY

The technology and mobility of the flat world brings opportunity to those who want to build a more prosperous world but also to those who wish to take advantage of this openness to commit crimes and terrorism. Fortunately, new technologies can help us fight these threats. To take advantage of them, we must enact policies that allow state and local governments to be both smart and agile in preventing crime and promoting security. Specifically, we must: tackle energy independence; start new COPS programs to improve local counterterrorism capabilities; develop smart driver's licenses; keep our food safe; organize emergency services corps; help first responders communicate; enact a military families' bill of rights; and implement programs like Helmets to Hardhats.

A STATE OF ENERGY INDEPENDENCE

Securing our energy sources must become a top priority of American security policy in the flat world. Since 9/11, the United States has passed up multiple opportunities, and warning signs, to become more energy independent. America is now more dependent on foreign oil than we were in the 1970's during the OPEC oil embargo,⁶² and instability in the Middle East is more challenging than ever. Coupled with growing competition and energy demand from competitors like India and China -- which will continue to drive up the price per barrel of oil⁶³ -- there is nothing positive about America's dependence on oil. President Bush belatedly acknowledged as much in his 2006 State of the Union address when he said that "America is addicted to oil." Unfortunately, under his administration, the country has done little to kick the habit.

In the absence of federal leadership, it is up to states to take the lead on energy independence. Every state could follow the example of Arizona Gov. Janet Napolitano who supported legislation to reduce demand for energy by 10 percent in five years and mandate state purchasing of EPA "Energy Star" compliant products whenever possible. The measure is expected to save Arizona \$90 million in energy costs.⁶⁴

Each region of the United States has the ability to significantly reduce our energy dependence in its own way. The Midwest and agricultural areas have been promoting the use of ethanol and biodiesel and should continue to do so. We urgently need to promote the effectiveness of products that can lessen the need for oil. One area to look into is fuels such as E85, an ethanol-based fuel that is compatible with most new cars and light trucks. Currently, too few gas stations offer E85 for it to make much of a difference in our overall oil dependency.⁶⁵ The state of Iowa, however, has increased its use of E85 by more than 700 percent in the last two years alone by providing funds to stations to cover half the cost of installing E85 pumps.⁶⁶ Gov. Tom Vilsack of Iowa has also increased E85 use by mandating that 100 percent of non-law enforcement state vehicles be hybrid or flex-fuel vehicles.⁶⁷ Biodiesel can also compete with diesel fuel as one of our main sources of fuel for the transportation industry, a large source of petroleum use in the United States.

States in the Sun Belt can more aggressively promote active and passive solar panels to power homes. Tax credits to install solar panels give people more incentive to place them on their roofs and power their homes. Excess power can be sold back to utility companies, a real value-added benefit for many homeowners. Wind-rich areas, like much of Texas, can encourage the

use of wind energy to meet a significant portion of their energy needs, while updating their energy infrastructure to better compensate for the intermittency of wind supplies.

Every region, especially areas in the Northeast, should work to make buildings more energy efficient. Buildings in the U.S. account for 39 percent of all energy consumption, and making them more energy efficient can save money and decrease our reliance on foreign energy sources.⁶⁸ Using the tax code to encourage the use of the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System would significantly reduce the amount of energy large buildings use. For example, a new Toyota office building in the U.S. has one of the largest commercial solar electricity roofs in existence, and environmental groups like the Natural Resources Defense Council (NRDC) have reduced their need for electricity by 60 percent to 75 percent by maximizing natural light.⁶⁹

These initiatives alone will not solve America's energy dependence problem, but they can make significant contributions to that goal. States that invest now in energy efficiency and alternative energy sources can support local businesses and will have an advantage as energy costs rise. The future lies with energy independence, the sooner leaders can act on this, the less challenging and costly the transition will be.

NEW COPS PROGRAM FOR LOCAL COUNTERTERRORISM CAPABILITIES

As America works to adapt its homeland security efforts to a world in which global terrorism is a constant threat, many local governments are recognizing that in future crises it will be up to local first responders to handle the situation. Many proposals to deal with terrorism, including those in this book, emphasize the use of cutting-edge technology to gain an advantage over terrorists. While we must press forward in developing these technologies and adapting them to use, we should not forget that the best protection against crime of any sort is to have smart, knowledgeable professionals in the field. Recognizing this, cities like New York and Los Angeles have created their own counterterrorism units in response to 9/11, and more localities should emulate them.

Although many see the threat of terrorism as a national issue, large cities know they need to protect themselves. Since 9/11, New York City has assigned more than 1,000 officers to work on counterterrorism and created heavily armed Hercules Teams that deploy randomly throughout

the city to deter terrorist attacks. A recent initiative in Los Angeles turned 83 members of its police force, who were temporarily working on counterterror activities, into an “intelligence fusion center” to help coordinate local counterterrorism activities with their counterparts in the FBI.⁷⁰ The permanent terrorism force is only partly in response to Los Angeles being specifically mentioned as a target in Al Qaeda tapes. Los Angeles officials also realize that terrorism is a long-term problem and that all levels of government must learn to counter it.

Other large cities in the United States should follow their example. While the federal government has supported local law enforcement efforts in the past through the COPS program, the Bush administration has put it on the chopping block for the 2007 budget. Regardless of whether federal funding is available, local governments should work on improving coordination between local police officers specializing in counterterrorism and federal officials. Cities can create permanent centers with full-time staff or make counterterrorism a portion of officers’ present responsibilities.

In the flat world, all levels of government must deal with the threat of terrorism. There are new challenges that must be faced, and to succeed we will need innovative ideas from all levels of government. Counterterrorism cops are a step in the right direction.

SMART DRIVER’S LICENSES

Four of the five hijackers who flew into the Pentagon boarded their plane with false identification acquired illegally in the U.S. In the flat world, where powerful information technology has been widely distributed among both our friends and our enemies, using a fake ID is no longer a youthful prank. Government must work hard to stay at least one technological step ahead of terrorists and other criminals. With that in mind, the federal government passed the “Real ID” Act in 2005 to force states to enact some uniformity between various state identification cards or driver’s licenses.

Despite federal legislation on the issue, there is still much work that needs to be done on the state level.⁷¹ States need to be looking at the most cost-effective ways to establish a secure identification system that does not allow criminals to access identity information or duplicate the cards en masse. While many states do have effective anti-fraud techniques incorporated into their current driver’s licenses, they are only effective when others know to look for them. Authorities and business owners from other states often do not know which features are difficult to replicate.

There are many ways that states can address this problem on their own, apart from or in addition to federal efforts. States should work together to create a standardized hologram that can be used to replace existing holograms, so that officials in any state can check for a single hologram. Also, microchips that contain the same identification information should be inserted in the cards, along with personal data such as fingerprints, to allow quick readings of the card by local or federal authorities. Visas for foreign visitors could also be equipped with a smart microchip, making it more difficult for terrorists to travel through the U.S., stay past their allotted visa period, or illegally duplicate visas.

Many states have argued that new technology such as a standardized ID will be cost prohibitive.⁷² A powerful counterargument, however, is that changing state identity cards should be seen as similar to the occasional redesign of paper money. Every so often, new tricks need to be adopted to thwart counterfeiters. Though the redesign costs the Department of the Treasury a significant amount of money, the reduction of fraud and stability of the currency is beneficial to the American economy. States must view new identity cards in a similar light. Despite the costs, the boost to national security and reduction of illegal activity will have a net benefit for states.

In addition to the security benefits, states could also design the cards to enhance efficiency in a number of other ways. For example, if police officers could download information directly from the driver's ID, rather than copying that information by hand, the process could save minutes from every routine traffic stop and could help eliminate human error. Database exchanges between states could also prevent fraud by checking driver's names to ensure that poor drivers are not receiving multiple drivers' licenses or voting in more than one state.

The private sector could also make use of the cards by allowing users to store any additional data they desire on excess memory on the card. For example, gas stations could use the card as an automated withdrawal service, or employees could store their security information on the card to access buildings after hours.

While creating a new identification system poses difficulties to states, the benefits to our security and governmental efficiency make secure IDs essential. States must become leaders in the transitioning to a secure ID system.

KEEPING FOOD SAFE

The flat world's global supply chains bring us an astonishing variety of food all year round. But those same supply chains can also bring diseases from the other side of the world and spread them far and wide before anyone knows what is happening. With the threat of mad cow disease, and more recently, bird flu, protecting our nation's food supply is becoming increasingly important and difficult. In the global era, tampering with food products by terrorists is also a serious threat.

Our current inability to track where animals have been or where meat is going is a severe threat to public health and America's confidence in our food supply. Discussions about establishing a nationwide animal identification and tracking system have been underway for more than 20 years. Due to political wrangling and concerns from local producers about burdensome costs, however, the USDA's plans for a mandatory National Animal Identification System (NAIS) remain in limbo.⁷³

While we await sensible federal rules, states should encourage producers and provide incentives to implement the voluntary identification measures recommended in the NAIS and other state plans that can increase the safety of our food supply. Labeling livestock such as cattle, poultry, swine, sheep, and goats, and also horses, bison, deer, elk, llamas, and alpacas, could allow investigators to trace an animal back to its origin within 48 hours of a disease outbreak. Under the current system, it can take far longer to trace an animal to its origins. The longer tracing lasts, the more animals may become infected with a fast-spreading disease, and the more harmful a disease outbreak can be on American producers and consumers.

While some producers are anxious about obtrusive government regulation of livestock, most are nonetheless supportive of measures to increase confidence in our disease tracking system, especially after a Washington State producer discovered the first case of mad cow disease in the U.S.. The Asian response to that discovery was a swift closure of their markets to U.S. beef.⁷⁴ Since then, wooing them to re-open their markets has not been easy. As a result, producers are finding that the more accurate the tracking system they have in place, the more quickly they can reassure nervous domestic and international consumers after the outbreak of disease.⁷⁵

South Dakota has developed an innovative way to get producers to participate in a state-of-the-art tracking system using radio frequency identification (RFID). The state created a strong incentive to take part by creating a "South Dakota Certified Beef" program,⁷⁶ which will give a state stamp of quality to livestock born, raised, and finished within the state. Only

cattle that have been tagged with RFID are eligible for the program, which allows producers to market their beef as some of the best in the world. While the program is currently aimed only at creating a unique food market for South Dakota beef, it has been extremely popular with producers, and could be adapted for tracking purposes.

Similar standards need to be in place for poultry. As the Asian bird flu becomes a greater threat to U.S. poultry, consumers may come to view our domestic stock warily. To combat consumer concerns of both beef and poultry, states need to take the lead in implementing mandatory labeling programs, or provide the technical guidance and oversight to more fully implement a voluntary program.

The flat world offers the potential for a happy intersection of consumer preferences, technological opportunity, and strong security. However, it is up to the government to put new processes in place to meet these demands. If we take advantage of the opportunity to create a 21st century food safety system, we will help farmers, satisfy quality-conscious customers, and make our nation safer, a food safety trifecta.

EMERGENCY SERVICES CORPS

When disasters strike, it is imperative that as many people as possible are prepared to deal with the emergency. Having a wide base of volunteers at the local level means that first responders will always be close and, in the event of a large-scale catastrophe, personnel from many companies can be deployed. That is why local governments should establish their own Emergency Services Corps, encouraging young people to get involved in local volunteer fire companies and undergo paramedic training so that communities are less likely to be understaffed in times of crisis.

Take the example of New Castle County, Del.. New Castle County is addressing the county's persistent shortage of emergency workers by actively recruiting young people to pursue careers in emergency services.⁷⁷ The Emergency Services Corps program partners with AmeriCorps, the New Castle County Volunteer Fireman's Association, and the YMCA youth resources center to recruit 15 young volunteers this year who trained as firefighters and paramedics. After their initial training, the volunteers began community recruitment and outreach programs that have brought in 35 new members to the volunteer fire companies.

Another avenue New Castle County is exploring is to improve recruitment through their Hometown Heroes program, which provides loan assistance to help police officers, paramedics, and firefighters purchase homes in the county.

By working with local banks to offer favorable rates, the program expects to help 60 families buy homes in the coming year.⁷⁸ The program also offers \$1,000 college scholarships to high school juniors and seniors who are active fire company members, in partnership with the Presidential Freedom Scholarships.⁷⁹

Building local emergency capacity benefits not only local communities, but the entire country; when local governments know that their emergency services are not shorthanded, they can more generously donate personnel to other locations that need them.

In the global era, emergency preparedness is more critical than ever. As disasters, natural or terror-related, seem to be becoming more frequent and widespread, having a large number of volunteers who understand how to react in times of crisis can make a big difference. Communities that have done the best job recruiting and training are the communities that will be the best prepared for disaster.

KEEPING COMMUNITIES ON THE SAME WAVELENGTH IN EMERGENCIES

On 9/11, first responders found that they had a problem: They could not talk to each other. Despite repeated promises to address this fundamental problem, four years later first responders from the local, state, and national levels had the same problems when trying to cope with the aftermath of Hurricane Katrina.⁸⁰ The ability to coordinate efforts when facing another major disaster, including a terrorist attack, will be essential. Without efficient and effective communications, precious time and resources will be wasted on basic coordination, rather than helping victims. With the assistance of the federal government, state and local governments need to invest the resources and effort into making their communication systems more effective.

New Hampshire has taken an important step in this direction by becoming the first state to install a secure satellite communications system to link all of its emergency responders, including more than 600 law enforcement agencies, fire departments, emergency medical services, hospitals, and the U.S. Department of Homeland Security.⁸¹ The system allows all these groups to communicate directly and easily with each other, eliminating the problems that plagued emergency responders on 9/11.

Communication with the public is also essential in times of emergency. On 9/11 and during the anthrax scare, people who were unable to find a non-emergency number called 9-1-1, inundating the emergency lines.⁸² State and local policymakers must review their 9-1-1 and emergency call

infrastructure to determine whether it is adequate for anticipated demand, particularly given the proliferation of cellular telephones.

Policymakers should look to the lead of Detroit, Mich., Austin, Texas, and the state of Connecticut, which have updated their phone systems to allow the public to call for non-emergency-related help and information without jamming vital 9-1-1 lines. After the 9/11 terrorist attacks, Austin publicized the use of the city's existing 3-1-1 Police Non-Emergency Telephone System with the assistance of area media outlets, allowing emergency calls to be prioritized while still responding to requests for information, referrals, and other non-emergency inquiries.

Similarly, Connecticut has used its existing statewide 2-1-1 telephone system, which was designed to provide information and referrals on health and human services, to help state officials aid families affected by the nearby New York City attack on 9/11. Among other measures, Connecticut used the system to support private charitable organizations overwhelmed by calls for assistance and volunteer opportunities in its wake. In Detroit, Mayor Kwame Kilpatrick is working to deploy information technology to track service delivery requests and make the 9-1-1 emergency and non-emergency systems more accountable.⁸³

In the wake of a terrorist attack or a natural disaster, the first few minutes and hours are the most critical for saving lives. While disasters unfold in unpredictable ways, recent experience has shown that communications are always essential and always difficult. By using lessons learned in previous experiences, first responders can help make a significant difference in a major disaster. The first requirement is communications, the time has come that we all get on the same page.

MILITARY FAMILIES' BILL OF RIGHTS

Our modern military is the best-trained, best-equipped fighting force in the world. In the flat world, where problems have no boundaries, it is an essential tool for ensuring the security of the American people and American interests worldwide. But as the demands on our troops have increased, the strain on men and women in uniform and on their families have risen dramatically. A survey of Army spouses conducted in 2005 by *The Washington Post*, the Kaiser Family Foundation, and Harvard University found that an astounding three-quarters believed the Army is going to encounter personnel problems as soldiers and their families tire of the strain and leave for civilian lives.⁸⁴

Recognizing these struggles, Kentucky State Treasurer Jonathan Miller has created the Military Families' Bill of Rights to provide services that improve these families' quality of life and to give them due recognition for their contribution to American life.⁸⁵ Miller's plan includes 10 planks that can assist the families of military men and women. Some of the planks include offering free comprehensive financial planning, giving families leave time to adjust to military deployment, and protecting military families from predatory business practices.

Some states have created similar programs, such as Michigan's Project Blue Star⁸⁶ and the Kansas Military Family Support Program.⁸⁷ These programs help to match volunteer organizations and organizations that provide vital services with military families that need them.

There is work to be done to ensure that the families at home are supported by their communities so that troops abroad can worry about the task at hand. States and local governments can help to partner local services with military families and find effective ways to help, including free counseling services, privileged access to financial planning, and, more generally, a broader and deeper social safety net.

The morale of our Armed Forces depends on the condition of the homefront as well as conditions on the battlefield. Understanding that military families face unique challenges is essential to maintaining the best fighting force in the world. We need every state to assist military families as they struggle with challenges at home while we ask their family members to fight for us abroad.

HELMETS TO HARDHATS

As America fights global terrorism abroad, many of our service men and women are finding that transitioning back into the civilian workforce can be a difficult experience. With more of our young people destined to serve in the coming years, we should ensure that when they leave military service, they have a high quality job waiting for them.

That is what Helmets to Hardhats (H2H) provides. Helmets to Hardhats is a service funded by the U.S. army that matches soldiers with local construction and trade organizations.⁸⁸ H2H is operated by former military officials who understand the important link between the military and construction, careers that have built and protected America. State and local governments can use H2H as a model for helping transition local men and women returning from the Armed Forces into high quality careers.

Joining the H2H program is easy. Soldiers sign up on the website and choose a trade they are interested in. The H2H staff will then match the soldier with a local trade and give further instructions on how to get started. Most returning soldiers will then enter a four-year apprenticeship program to learn a skill while taking courses that are funded by the G.I. Bill and working on a job site. H2H also provides a forum for the soldiers to connect with a mentor who was formerly in the military but is now in a construction career to help them progress through the apprenticeship successfully.

According to the organization, H2H has already referred 21,161 soldiers into construction careers.⁸⁹ Soldiers placed by the program have commented that they feel they get real respect from their colleagues because their colleagues understand they endured tough military situations and can be trusted to do their work well.

From a state and local perspective, transitioning men who have served in the military or national guards into local construction work is a win/win situation. Many areas around the country are facing a construction shortage, and the program supplies a pool of well-trained and disciplined men and women to take those positions. State governments, such as Iowa, have created their own programs to match men and women returning from the Armed Forces with high-quality local employment.⁹⁰

A variety of other professions can follow the H2H model as well. For example, programs in teaching, government, and law enforcement all exist and all could be expanded. The Internet provides crucial resources for veterans,⁹¹ and local governments can tap into those resources, or create their own, matching local veterans with local jobs in other industries.

We ask a great deal of young Americans when they join the military and go overseas. They deserve a supporting hand when they return.

CONCLUSION

As Americans grow increasingly aware of the challenges and opportunities presented by the global economy, leaders are presented with a situation where good policy makes for good politics. Voters know that the world is changing around them and are looking for political leadership. Voters want elected officials who understand their concerns, who are realistic about the problems, and who are willing to take strong action to solve them. We hope this book has provided a starting point for state and local officials to develop policies that address the changing world economy, by working in their own state or town.

This is, of course, a book that can never fully be completed. There will always be new ideas for how to modernize government and make it more responsive to citizen's needs in a changing world. But if this sparks a conversation that leads to new solutions, it will have been a success. We hope that readers will send us good ideas for helping America thrive in the flat world and examples of how these ideas are put into action at www.dlc.org.

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