

Facing up to biggest challenges since World War II

By Jim Nowlan

President Obama will join a divided Congress and America's business and civic leadership in addressing, or not, over the coming four years a menu of really big, fundamental issues. The actions taken will determine if our country is to remain a strong, economically vibrant leader in the world, or become instead a "has been."

In this process, the public will play a central role. If we demand of our leaders a pain-free future, we are likely to consign our children to roles in a has been society. If we demand that our leaders address our problems head-on, even at some cost to us, we might come through with a positive future for succeeding generations.

After World War II, the rest of the world's developed nations lay prostrate and exhausted, their industries largely destroyed. We had no competition, and we thrived. A large middle class developed, often working at high wages in factories, whose owners could pass along the costs. That middle class could buy the goods we produced.

We have been living in large part in the afterglow of that era, which continued until about the 1980s. But now low-skill and even high-skill labor has become a commodity that can be purchased at low cost around the world. Manufacturers have chased the low-wage workers, and scores of thousands of assembly line jobs that paid \$20-30 or more an hour have been lost, replaced if at all by \$10-12 an hour jobs in the service industry.

As a result, tax revenue to governments has been less than otherwise. Yet governments have continued to spend as if nothing changed, and so we have huge deficits at the national level, and in Illinois.

But we cannot continue trillion dollar annual deficits, nor neglect Social Security and Medicare funding, government programs that seniors embrace with passion.

America is also wearing out. The Interstate system, a wonder of the modern world, is half a century old, and will soon need, not just repaving, but super-expensive rebuilding.

Our stellar government and university research and development programs have triggered commercialization of the Internet (much of it created at the University of Illinois) and myriad health care therapies. Yet funding, so vital to our future technological leadership, has been cut.

To address these fundamental challenges will require difficult choices.

Jobs in health care generally pay well, but not so elsewhere in the service sector. Strictly enforced limits on immigration by low-skill labor will be required to change the supply-demand relationship in the service sector, which would drive up wages. At the same time, we should encourage migration into the U.S. of creative minds.

Major investment by government and the private sector in infrastructure redevelopment would create many middle-class jobs for years.

Social Security and Medicare stability will require increased payroll taxes. And at some point, end-of-life care will have to be rationed, cruel as that sounds, because it is becoming unaffordable.

Taxes on the rich will have to increase. They have been the primary beneficiaries of American tax and business policy over the past three decades. If most wealth congregates among

the top five percent or so, demand for goods and services from the remaining 95 percent will wither. Taxes on those who remain in the middle class will probably have to go up as well.

For decades we have been living a fantasy—that we can have it all without worry about the costs. And we have been letting the Chinese and other holders of U.S. debt pay for it.

Maybe my prescriptions above, draconian sounding to some, I'm sure, are all wrong. Then others need to be presented. Gridlock is not an option, unless decline is what we want for our children and grandchildren.

And we typical Americans will play a big role in deciding the outcome. It just depends upon what we demand of our leaders.