

A Brighter Tomorrow

BY JUSTIN GOLDMAN

With the country facing enormous challenges and few solutions in sight, we convened a Diablo Think Tank to ask some of the brightest minds in the East Bay a not-so-simple question: How do we fix it? Here's what they said.

portrait illustrations by BENJAMIN WACHENJE / icon illustrations by CHI BIRMINGHAM







Politics







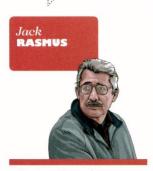
Energy





Economy

Craft a New, Smarter Stimulus to Create Jobs



» Expert on Economics
PROFESSOR, SAINT MARY'S COLLEGE

Jack Rasmus is a professor of economics and politics at Saint Mary's College who has closely studied the current economic crisis and the government's response to it. His latest book, Obama's Economy: Recovery for the Few, due out in March, offers a number of alternative responses to what he calls our "epic recession."

Can you explain the current economic crisis, which many people find to be very complex?

• Understanding what needs to be done requires understanding what happened and why it didn't work up until now. We are in a unique kind of a contraction. It's not a normal recession. Therefore, normal policies—tax and spending, interest rates and so forth—have not gotten us out of it.

We didn't get a broad-based recovery. Why is that? In the \$787 billion [stimulus package], about 38 percent was tax cuts and another 38 percent was subsidy spending—meaning money given to the states, to the unemployed, subsidizing health care costs, and so on. And maybe about 10 to 15 percent was in long-run infrastructure projects.

My argument is that that was ineffective on three accounts. First of all, in this kind of a financially induced contraction, you have a problem with confidence. And tax cuts do not get translated into investment, which is what you need to create jobs. They get hoarded.





And business needs to be able to see people who are going to buy their products.

[Second,] Obama's fundamental strategy was: We're going to give subsidies to the states; we're going to give subsidies to the unemployed; and that will buy us a year, after which the tax cuts will take effect, and the spending will occur. But the spending did not occur. ... Subsidies don't create jobs. You need to invest and create jobs to have a true sustained recovery.

And then we had another 10 percent, 15 percent in long-term infrastructure, alternative energy, electrical grid, and all this stuff. It did not have a short-term impact. So, we're stuck three years later with the number of unemployed we had three years ago: 25 million people [according to the U-6 unemployment rate].

There are three areas that Obama has not addressed. One, jobs: With 25 million people unemployed, you're not going to get consumption. There's been no real jobs program except tax cuts. Second, housing: There's been no housing program, [Third 1 Obama never fundamentally addressed the problem of the state and local government financial crisis. He gave them temporary subsidies. So, we have those three crises that have not been addressed policy-wise that are causing us to be stagnant and bouncing along the bottom. (continued on 104)

"You need to invest and create jobs to have a true sustained recovery."

Realize the Benefits of an Aging Population



Expert on the Aging Population COFOUNDER, AGE WAVE

Maddy Dychtwald's Emeryvillebased firm, Age Wave, is the nation's leading think tank on the economic and cultural ramifications of our aging population.

Tell me a little bit about the challenges we face due to our aging population.

• If you went back to the 20th century, we had primarily a youth population. We built our world to match that. We were focused on the diseases of young people; we were focused on getting jobs for young people; we were focused on creating an educational system which was primarily for young people. But here we are in the 21st century, and we're still using that 20th-century paradigm, but the world has changed.

Give me some examples of that paradigm shift.

 Our health-care system was designed to treat the diseases of young people, which are mostly acute infectious diseases. The diseases of aging are chronic, degenerative—things that you diagnose, treat, and care for far differently. It's not only about pharmaceuticals or surgical techniques [but] nutrition, exercise, stress-management techniques. If you delay the onset of heart disease by five years, it could save our country trillions of dollars.

Another example is education. We think of education as being for kids, and I don't know if that makes sense in a society in which







average life expectancy is 78, and we're beginning to see people work well past 65; retraining in a fast-moving, technology-based society is really important. ... We talk about a job crisis, but there are lots of jobs out there that remain unfilled because they can't find people with the right skills. If you could train people, whether it be retirees or young adults, to fill those jobs, it would be a win for everybody.

Another shift that I think is really important is to begin to view older adults as a resource rather than a problem. ... When you think about the Peace Corps, mostly you think about kids, college age or graduate school age. Why not create a kind of Elder Corps, where you reach out to people over the age of 65 and have them serve? Maybe it's here in the United States. You know the schools are in dire need of mentors and teaching assistants: Why not get them in there? ... Try to create a program-voluntary, ves-but make it so appealing that everybody wants to do it. And include a stipend, rather than Social Security, which won't be able to continue as it is.

Speaking of which, how do you view Social Security reform?

 It's a program that was designed when the poor segment of society was older adults. For every retiree, there were 40 workers. Today, there are two-and-ahalf. And average life expectancy back then was 62-and-a-half. Today, it's catapulted all the way up to 78. The idea was never to have people getting an entitlement for 20 to 25 years. The program needs to be changed, and if you were able to connect it up with something like an Elder Corps, where people could give back and get a stipend, it would give the money to people who needed it, and it would keep people engaged in their communities.