

## **Key Domestic Issues Facing the Country**

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Although the topic of today's discussion group is "Key Domestic Issues Facing the Country," I suggest we begin by defining a framework for identifying *which* issues are actually "key," *i.e.* the ones most important to be addressed now, whether by the country at large or by classmates here today. For my proposed framework, I draw in part on my experience with the European Union. I also draw on my experience in Silicon Valley.

I happened to be in France during the summer of 2005, about a month after French citizens refused to ratify the proposed EU Constitution. I took the opportunity to conduct an informal unscientific poll, in which I asked over a dozen French men and women in their native language, what is the "European Dream"? Surprisingly, although all were quite familiar with *le rêve américain*, none could articulate a comparable dream for the EU. I believe the EU's problems of integration, growth and leadership result directly from this failure of ambition.

Margaret Thatcher observed that "Europe was created by history. America was created by philosophy." Our philosophy is encapsulated in our Declaration of Independence, which provides the basis for our uplifting, transformational American Dream of *upward mobility*.

This American Dream is what makes us distinctive. For example, although China's new leader, Xi Jinping, has recently been articulating a "Chinese Dream," it is really not at all the same as ours. The *Wall Street Journal* recently reported a comparative study of engineering students at Stanford, and at China's Tsinghua, Peking and Beijing Normal universities. At Stanford, 22% wanted to start or join start-ups, and just 5% wanted to work for the government. By contrast, at the three Chinese universities, just 3% wanted to join start-ups, but 52% wanted to work for the government! The entrepreneurship and self-reliance demonstrated by Stanford students embodies the America Dream and underpins the enormous wealth and employment created by America, particularly since World War II.

As for Silicon Valley, when I entered the computer industry in 1980, the narrative was that talented individuals with innovative ideas -- Steve Jobs, Bill Gates, or Yale's Mitch Kapor -- were the main reason why companies succeeded and prospered. However, at the time, the computer industry was actually dominated by IBM, and was known as "IBM and the BUNCH [Burroughs, Univac, NCR, Control Data and Honeywell]." In fact, until GE and RCA dropped out, the industry was known as "IBM and the Seven Dwarfs." Founded in 1911, IBM is today still #19 on the Fortune 500.

What explains IBM's sustained success in a highly-competitive industry against some of the most successful companies in America? Because of the size of IBM, some 340,000 employees at the time, it was not possible to say that IBM's employees were better or more talented than those of its competitors, which were also large. Statistically normal distribution would have meant that the intelligence and talents of each company's employees were not significantly different. Moreover, at that large size, even an exceptional founder/CEO could not possibly personally manage each and every employee. Thus, IBM's success over the long term could *not* be due to superior "*hardware*" in terms of better people; rather, it had to be due to superior "*software*" – things like corporate culture & values, employee training & selection, and management policies and processes.

Similarly, with statistically normal distribution, it is highly unlikely that America's 315 million people are significantly different from the peoples of other countries with which it competes in this age of globalization. Our population, consequently, has no "hardware" advantage over our global competitors. America's future success must therefore depend on our "software" -- our *culture & values*, our *training & selection*, and our *policies & processes*.

Thus, my proposed framework for analysis is to ask whether our "software" *still* enables us not only to *dream* the American Dream but to *achieve* it as well. Within this framework, here are some key domestic issues that may be worthy of discussion.

### Culture & Values

In a recent book, *Coming Apart: The State of White America, 1960-2010*, Charles Murray, found a high correlation between America's "founding virtues" -- *marriage, industriousness, honesty* and *religiosity* -- and the success of the American upper middle class. However, although America's *white upper middle* class still embraces these founding virtues, America's *white working class* abandoned them over the last 50 years, which contributes to the working class' relatively lower levels of success. Thus, since our graduation from Yale, there has been a slipping away of the American Dream as more and more working class Americans have turned away from what had been America's dominant set of culture and values.

Murray, a white scholar, limited his focus to white America, in part to avoid the usual smears of racism against anyone who attempts to address race issues honestly. However, black scholars have a bit more leeway to address race.

Thomas Sowell, a black scholar at the Hoover Institution, in *Black Rednecks and White Liberals*, concluded black culture was essentially the same as white "redneck" or "cracker" culture. This culture was brought to America by immigrants from Britain who settled mostly in the American South. Blacks learned this culture from the whites with whom they lived for centuries. Over time, most Southern blacks and whites moved away from the redneck culture because its consequences were counterproductive in modern American life, but it survives among the poorest and least educated ghetto blacks. In that culture, belligerence is considered manly, while being civilized, or doing well in school, is regarded as "acting white."

In Sowell's view, since the 1960's when Murray's *Coming Apart* begins its analysis, white liberals have fostered the continuation of black redneck culture by portraying it as the only "authentic" black culture, and even glamorizing it. Thus, liberal "multiculturalism" prevents ghetto blacks from achieving the American Dream.

### Training & Selection

The late Albert Shanker, former head of both the United Federation of Teachers and the American Federation of Teachers, observed that public schools were established in this country largely "to help mostly immigrant children learn the three R's and what it means to be an American, with the hope that they would go home and teach their parents the principles in the Constitution and the Declaration that unite us." Unfortunately, our schools seem to be falling short of this noble mission, thereby further endangering the American Dream.

Despite substantial increases in both Federal and State funding, proficiency in math and

reading, *i.e.* the three R's, has virtually flat-lined since 1971, as evidenced by the rather disappointing results of the periodic National Assessment of Educational Progress (NAEP). In 2009, only 26% of twelfth-graders were "proficient" in mathematics, and only 38% were "proficient" in reading. For U.S. History, where presumably "the principles in the Constitution and the Declaration" are taught, the 2010 results indicate that only 12% of twelfth-graders were "proficient" – not significantly better than in 1994.

These NAEP results over the last four decades demonstrate that simply spending more money will not solve the problem of American schools failing in the core mission laid out by Albert Shanker. Moreover, it should be no surprise that in various international comparisons of educational achievement (*e.g.* the OECD's Programme for International Student Assessment), American students lag far behind those from many other countries, particularly in Asia (*e.g.* China, Japan, Singapore, Hong Kong, Korea, Taiwan).

For these reasons, one is increasingly drawn to the conclusion that academic proficiency is no longer the point of American education. Rather, teacher jobs at the K-12 level, and political correctness at the college level, seem much more important to administrators.

At the K-12 level, teachers' unions across the country have been content to trap kids in failing public schools, so long as teachers continue to hold their jobs and to enjoy salaries and benefits significantly higher than those of comparable private sector employees.

At the college level, political correctness dominates. It is the only way to understand Yale's admission of Sayed Rahmatullah Hashemi, the Taliban's Ambassador-at-Large, in 2005 while we were at war in Afghanistan against the Taliban. As an enemy combatant from an underrepresented Muslim Afghan minority, Hashemi brought politically correct "diversity" and "multiculturalism" to Yale. However, since he had not even finished high school when he took up arms against America, he had no academic credentials to qualify for Yale.

Thus, when American students lucky enough to survive K-12 teachers' unions apply to the Ivy League and other elite colleges, they face the perverse logic of political correctness: whites must score on average 310 points higher on the SAT than blacks to be admitted, while Asians must score 450 points higher, according to Princeton's Thomas Espenshade. Since the maximum SAT score is 1600, these represent substantial obstacles for those who embrace the American Dream and work hard in school but are born with the wrong skin color.

The result is that many of America's best and brightest high school seniors are denied Ivy League admission simply because they come from an Asian culture that consistently outperforms America in international comparisons of educational achievement. At all the Ivies, Asians represent just 16% ( $\pm 2\%$ ). By contrast, at both UC Berkeley (which is legally prohibited from considering race or ethnicity) and Caltech (which admits solely on the basis of merit but which has student quality equal to Harvard, Yale & Princeton), Asians represent 40% of admitted classes. At Stanford, whose 2013 admit rate of 5.69% was lower than all of the Ivy League schools, Asians represent 23% while whites represent 36% of freshmen.

Unfortunately, the cancer of political correctness has metastasized throughout higher education. It is the reason why, in his 2007 book, *Education's End: Why Our Colleges and Universities Have Given Up on the Meaning of Life*, Yale Sterling Professor Anthony Kronman describes the humanities, once Yale's crown jewels, as "in danger of becoming a laughingstock, both within the academy and outside of it."

## Policies & Processes

The core of the American Dream is that America is a land of freedom and opportunity where, irrespective of social class or circumstances of birth, it is possible to achieve *upward mobility* through individual hard work and determination and, thereby, to build a better life. However, our government policies and processes now seem designed to kill the American Dream.

Our President now tells those who have embraced the American Dream and earned their success that "You didn't build that." Moreover, he argues that "fairness" requires redistribution of the benefits of their hard-earned success to those *he* feels more deserving.

The President's favorite "scapegoat, "the 1%," already pays 37% of Federal income taxes, while 49% pay no taxes at all! Moreover, according to the Tax Foundation, 60% of American families received more in benefits than they paid in taxes in 2010, before many of the President's major new redistribution programs took hold. This seems to be a rather perverted view of "fairness." Ben Carson, director of pediatric neurosurgery at Johns Hopkins, noted at the last national prayer breakfast with the President that "the fairest individual in the universe, God" gave us the tithe. As Carson asked, "Where does it say that you've got to hurt the guy" who makes more than you? In any event, it is obvious that raising taxes on those who work hard for their success penalizes those who dream the American Dream.

Unfortunately, income redistribution stunts economic growth, thereby reducing opportunity for everyone. According to the Keynesian model taught in Paul Samuelson's *Economics* textbook we studied 50 years ago at Yale, economic growth depends primarily on investment (the "I" in  $GDP = C + I + G + [X - M]$ ). Redistribution *from* those with a high propensity to save *to* those with a high propensity to consume necessarily lowers investment, and therefore economic growth, for all Americans both rich and poor.

In addition, crony capitalism diverts funds *from* those projects with the highest economic returns *to* those with the greatest political paybacks (*e.g.* political contributions, votes from unions or "greens"). In exchange for these paybacks to politicians, losses are "socialized" and passed on to all taxpayers, but profits are retained by the favored cronies (see Solyndra).

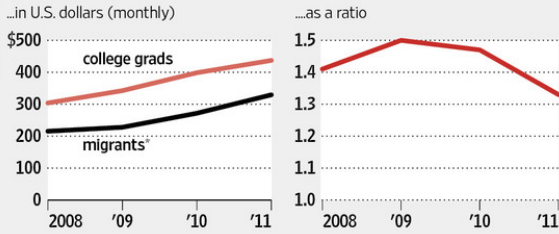
Margaret Thatcher anticipated our President's concept of "fairness" in her last debate at the House of Commons by explaining, "The honorable gentleman is saying that he would rather that the poor were poorer, provided that the rich were less rich."

Thank you.

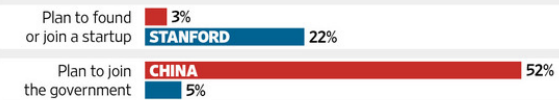
## Graduation Plans

Many Chinese college students, faced with low average wages after graduation, aspire to jobs with government or state-owned enterprises, which they see as more secure than private-sector ones.

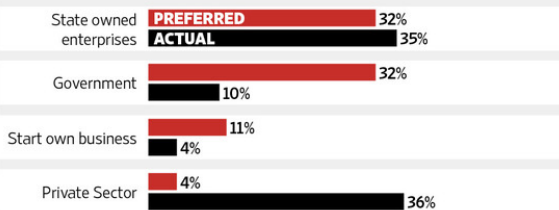
Starting wage for college graduates and average migrant wage



Graduation plans of engineering students at three top Chinese universities and at Stanford University<sup>1</sup>



Chinese graduates' preferred employment versus actual employment



<sup>2</sup>Those who come from rural areas to work in the cities, usually as laborers or factory workers

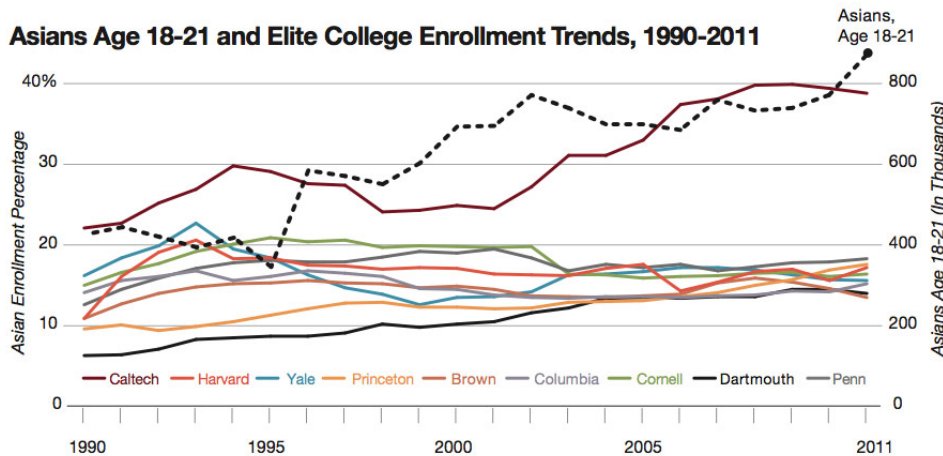
<sup>1</sup>Chinese students at Tsinghua University, Beijing University and Beijing Normal University

Sources: Mycoso, Tsinghua University (college wage); National Bureau of Statistics (migrant wage); US and China University Student Innovation Survey (preferences upon graduation), Chinese College Students Survey 2010, Tsinghua University (actual versus preferred employment)

The Wall Street Journal

<http://online.wsj.com/article/SB10001424127887324678604578340530200654140.html>

## Asians Age 18-21 and Elite College Enrollment Trends, 1990-2011



Trends of Asian enrollment at Caltech and the Ivy League universities, compared with growth of Asian college-age population; Asian age cohort population figures are based on Census CPS, and given the small sample size, are subject to considerable yearly statistical fluctuations. Source: Appendices B and C.

“Princeton sociologist **Thomas J. Espenshade** and his colleagues have demonstrated that among undergraduates at highly selective schools such as the Ivy League, white students have mean scores 310 points higher on the 1600 SAT scale than their black classmates, but Asian students average 140 points above whites.<sup>19</sup> The former gap is an automatic consequence of officially acknowledged affirmative action policies, while the latter appears somewhat mysterious.” -- *Ron Unz*

<http://www.theamericanconservative.com/articles/the-myth-of-american-meritocracy/>