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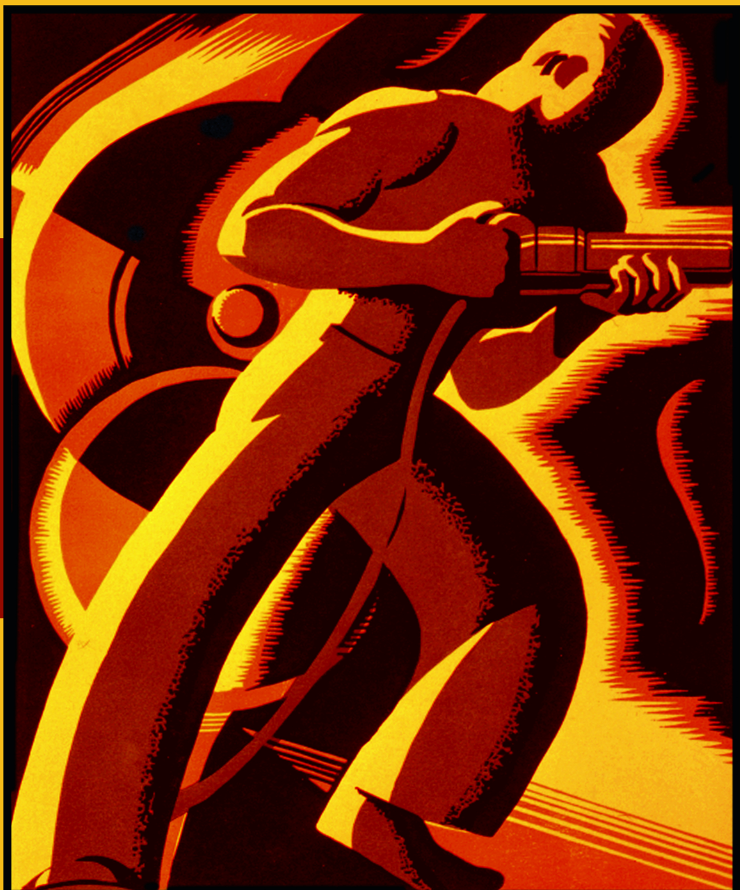
HOW TO SAVE JOBS



REINVENTING BUSINESS, REINVIGORATING WORK, AND REAWAKENING THE AMERICAN DREAM

DAVID GEWIRTZ

REINVENTING BUSINESS, REINVIGORATING WORK, AND REAWAKENING THE AMERICAN DREAM

David Gewirtz is Executive Director of the U.S. Strategic Perspective Institute, Editor-in-Chief of the ZATZ magazines, and a CNN contributor.

He is a recipient of the Sigma Xi Research Award in Engineering and was a candidate for the 2008 Pulitzer Prize in Letters.

A shocking and disturbing look into how changes worldwide have created enormous disruption in the very nature of jobs in America.

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HOW TO SAVE JOBS

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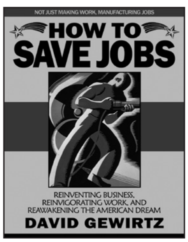

Resources for this book can be found online at *HowToSaveJobs.org*. Questions and comments on *How To Save Jobs* may be sent to:

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HOW TO SAVE JOBS

David Gewirtz

ZATZ

Palm Bay • Florida

How To Save Jobs
by David Gewirtz

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Published by ZATZ Publishing, an imprint of Component Enterprises, Inc.
PO Box 110579, Palm Bay, Florida 32911 • (321) 722-4620 • (321) 406-1001 FAX

Printed in the United States of America
Library of Congress Control Number: 2009928728
ISBN (10-digit): 0-945266-01-4
ISBN (13-digit): 978-0-945266-01-3

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This book is dedicated to
America's self-employed, freelancers, sole proprietors,
family businesses, and small businesses.

You were the original foundation for commerce
and enterprise in America and you are our future.

About the author

David Gewirtz is Executive Director of the U.S. Strategic Perspective Institute and Editor-in-Chief of the ZATZ magazines. According to the Independent Computer Consultants Association, he is "one of America's foremost email experts." He has been described by CNN as "a leading Presidential scholar specializing in White House email."

He is the Cyberterrorism Advisor for the International Association for Counterterrorism & Security Professionals, a columnist for *The Journal of Counterterrorism and Homeland Security,* and a special contributor to *Frontline Security Magazine*. He is a member of the FBI's InfraGard program, the security partnership between the FBI and industry. David is also a member of the U.S. Naval Institute and the National Defense Industrial Association, the leading defense industry association promoting national security.

David regularly writes commentary and analysis for CNN's Anderson Cooper 360 and has been a guest commentator for the *Nieman Watchdog* of the Nieman Foundation for Journalism at Harvard University. He is the author of five traditional books and nine digital books, and has written more than 700 articles about technology, competitiveness, and national security policy.

David is an advisory board member for the Technical Communications and Management Certificate program at the University of California, Berkeley extension. He is also a member of the instructional faculty at the University of California, Berkeley extension. David is also a former professor of computer science, has lectured at Princeton, Berkeley, UCLA, and Stanford, has been awarded the prestigious Sigma Xi Research Award in Engineering, and was a candidate for the 2008 Pulitzer Prize in Letters.

David is best known for his non-partisan national security analysis of the Bush White House email controversy. He is the author of the book *Where Have All The Emails Gone? How Something as Seemingly Benign as White House Email Can Have Freaky National Security Consequences,* which explores the controversy from a technical perspective and, according to The Intelligence Daily, is "the definitive account about the circumstances that led to the loss of administration emails."

He is also the author of *The Flexible Enterprise: How to Reinvent Your Company, Unlock Your Strengths, and Prosper in a Changing World.*

Earlier in his career, he was an executive at Symantec Corporation. He also held the unusual title of "Godfather" at Apple Inc. and served on the board of the Software Entrepreneurs Forum (now SDForum) in California.

David is the creator of ZENPRESS, a breakthrough technology for Internet magazine production. He is also the lead developer of the MySQL and SQLite database extensions for the open-source Frontier Kernel project and has designed embedded database technology used by more than 2,000 companies, universities, and government agencies.

Whether offering insight into technology trends, helping small and large businesses remain competitive in a wildly changing world, providing a broader perspective on policy matters, or helping leaders understand the big technology and security challenges facing citizens throughout the world, David makes complex topics understandable, difficult issues compelling, and challenging concerns actionable and solvable.

Weaving a tapestry of industry, politics, security, and technology, he brings a unique and powerful perspective to all his audiences. Known for their clarity and insight, his articles and radio interviews reach more than a million people worldwide each week.

AT-A-GLANCE

For policy-makers, business leaders, and even individual workers

Everyone's busy, so here's a quick cheat-sheet:

- If you take anything at all away from this book, let it be this: the world has changed radically since our parents' time. We can't approach jobs in America the way we did in past decades.

- If you want to really understand how much everything has changed, you'll want to read Part I, "The state of jobs in America"

- For an in-depth understanding of our health care challenges and some possible solutions, read Chapter 8, "The health care hostage crisis" and Chapter 13, "How to save health care."

- If you're a policy-maker or are interested in innovative ideas for reinventing business, reinvigorating work, and reawakening the American dream, read Part II, "Policy ideas that could save jobs."

- If you're an individual trying to make ends meet or a business owner or manager who doesn't have time to wait for Washington to get its act together, read Part III, "Tips & techniques you can use right now."

Of course, if you really want to understand how to save jobs, read the whole book. It's quite a story.

Research resources & bibliography

I believe it's important for students and researchers to have complete access to my research database on projects as far-reaching as this book.

Throughout *How To Save Jobs,* I cite many different research resources. Nearly all of those citations are listed on the HowToSaveJobs.com Web site.

More than 350 resources are listed (with links), ranging all the way from a 1956 Presidential report to a YouTube video of pizza workers performing socially unacceptable acts on camera.

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POLICY IDEAS THAT COULD SAVE JOBS

Ideas, strategies, and innovative approaches for policy change that could make a real difference and help save and create jobs in America.

PART III

TIPS & TECHNIQUES YOU CAN USE RIGHT NOW

Powerfully effective hands-on tips, techniques, and strategies that you personally can take to keep and create jobs, without waiting for or relying on politicians to get their acts together.

Introduction

According to the Bureau of Labor Statistics, the United States lost an average of 615,000 jobs a month during the first five months of 2009 and about 200,000 jobs each month for the rest of the year. As of the time of this writing, America has breached 10% unemployment, and while the rate of monthly job loss is shrinking to merely recessionary levels, many of those jobs are lost forever, having been moved offshore or eliminated altogether.

Typically, America needs to create about 2 million new jobs a year just to keep up with new people entering the workforce. As I write this, 2010 is upon us and the Bureau of Labor Statistics reports we are 15.4 million jobs in the hole. Add the additional 4 million we need just for new workers entering the workforce, and America has to create more than 19 million jobs just to sustain a tolerable level of unemployment.

To get everyone employed who wants or needs a job, we're going to have to create 20-30 million jobs in the next five years.

This book is not about how to get a job. There are a hundreds of how-to-get-a-job books on the market. The problem we're facing in America today isn't how to get a job. The problem we're facing is how to save and create jobs.

This book is also not about how to manage employees or set up a human resources department. Here, too, there are lots of books.

Instead, this book is about how to *create* and *save* jobs. Believe it or not, there's not a single book out there that specifically focuses on job creation and preservation — until now.

Interestingly enough, our jobs problem isn't just due to the bank crash of late 2008. Oh, no. Our jobs problem runs much deeper and it's a story of greed, bad decisions, and desperately hungry people trying to eke out a better life.

In short, it's an epic human story, with you and me and the whole world as main characters.

This book tells that story. It'll help you understand the truly shocking factors that are fundamentally contributing to the fix we find ourselves in right now. It'll help you understand how to think about the problem. And it'll help you understand what's necessary to remedy the problem on both a national policy level and on an individual level.

You'll learn about what we'll need to do as a country to prepare for the realities of living on what's essentially a different planet from the one our parents lived on. And you'll learn what you can do as either an individual, an employee, a manager, or a business leader to help yourself, your family, and your company.

This is an American story. I know I have many readers, listeners, and viewers around the world, but I am first and foremost an American. So I'm telling this story from an America-first perspective. I acknowledge and respect the right of everyone throughout the world to make a living and live the good life, but I also understand deeply that some of the challenges America faces today are the result of new and game-changing competition from other parts of the world.

This is also a story of numbers. Planet Earth sustains about 6.77 billion people and the vast majority of us need to work for a living. Understanding the scope of our jobs problem requires being able to picture some very big numbers, representing both people and money. Don't worry, I promise to make it interesting. I also promise it'll scare the pants off you.

Prepare to be afraid. Prepare to be *very* afraid. Hey, what's a good story without a little horror, right?

But there's no need to panic, because there are also solutions. And while there are some solutions that require America as a country to change some of its bad habits, there are also solutions that you, just on your own, can implement and make your own life better (and possibly help a few others along the way).

So this book is also a story of hope and promise and thriving, instead of just surviving.

As much as this is a book about worldwide trends, national policy, and some terrifying true tales, it's also a book about tactics you can apply beginning as soon as today or tomorrow.

For example, the only way a business is going to be able to keep employing people is to be successful. This also includes not-for-profit entities who not only measure success in terms of sales, but also, often, in terms of donations and endowments. No matter what they call it, even nonprofits need to make money to employ people.

About 8% (according to the Bureau of Labor Statistics) of all working Americans are employed by federal, state, and local governments. These people are also indirectly dependent on success for their jobs — government income is generally fueled by tax revenue and if tax revenue declines, governments can't employ as many workers.

If your company is in a situation where it might be considering laying people off, clearly there's a problem. When I talk to employees and top managers, what they usually tell me is "business is down."

Really, though, what that means is their business isn't producing as well as it needs to in order to bring profit to its shareholders, value to its customers, and provide an income for its employees.

This book is intended for many different kinds of readers. If you're an owner of a small business, this book is perfect for you. It'll give you some tactical tools for day-to-day success and some other tools for emergency triage.

If you're an employee, this book can help you in two ways. First, it can help you provide ideas to your management and look for ways you can improve your company at every level. Second, it can help you think like an owner and help you join the ranks of those creating jobs — even if that job is your own.

No longer do we need to simply grow up and get a good job. We live in a world where we can *make* a good job. In fact, we now live in a world where the only way we'll solve our employment problems is if millions of people create their own jobs. This book will help you do just that.

If you're a policy maker, a senior executive, a division manager, or a department manager at a Fortune 500 company, this book is perfect for you as well. I've spent years working with some of the largest companies, helping them to collaborate, communicate, and develop competitive strategies. A large company (and a large nation) is like a very large ship — it takes a while to turn.

But some of the very largest ships have Azipods — azimuth thrusters — special propellers mounted on steerable pods. Because the Azipod can rotate in any direction, it can provide thrust in any direction. Instead of waiting for a ship to complete a long, arcing turn to change its direction or propulsion, an Azipod simply turns on its axis and the ship responds nearly instantly.

Even the very largest of ship, if equipped with Azipods, can turn on a dime. It's no longer true that very large ships must turn very slowly. Likewise, it's not true that the very largest of companies (or even a country) must take forever to change course. If you read this book, I'll help you learn how you can pilot your enterprise as if it had Azipods installed.

You'll be able to turn your company (regardless of size) in the direction it needs to go, quickly, intelligently, and responsibly. And then you won't just be saving jobs — including, quite possibly, your own — you'll be creating new ones.

So what am I doing, national security geek that I am, writing about jobs?

This book is about helping your business work better. It's about helping you change the things you need to change so your company can perform more effectively. But if you're going to have a vibrant business that thrives over the long haul, you're going to need to build a business that's flexible, that can take a hit here, fix a problem there, recalculate, regroup, redouble its efforts, and reap the rewards.

This book will help you refine, reinvent, and reinvigorate your business. Because, really, that's the key to creating and keeping jobs. You need to have a vibrant, successful, flexible enterprise and, if you do, you're going to clearly need people to make it work.

Jobs are the natural by-product of a successful company. People are not products, but you need great products and great services to provide value to your customers. When you do, when you provide value on a regular basis, then you'll be firing on all cylinders instead of firing your staff.

This is a national security issue

Many of my regular readers, listeners, and viewers know that I'm a technology and national security guy. By formal training, I'm a computer scientist and an engineer.

I'm a member of the FBI's InfraGard program, the security partnership between the FBI and industry. I'm the Cyberterrorism Advisor for the International Association for Counterterrorism & Security Professionals and a columnist for both *The Journal of Counterterrorism and Homeland Security* and *FrontLine Security Magazine*.

I'm also a CNN contributor, a member of the U.S. Naval Institute and the National Defense Industrial Association. And, my most recent book, *Where Have All The Emails Gone?,* was about the security of presidential communications.

So what am I doing, national security geek that I am, writing about jobs?

It all started in September 2008. Throughout most of 2008, I'd been promoting my latest book, discussing my analysis and recommendations for the future of presidential communications technology. I was on the air at least once a week, and I'd been interviewed by traditional press and bloggers at least three or four times a month as well. I'd gotten to know a lot of media people.

And then the financial crisis hit, Lehman Brothers went away, the whole AIG fiasco and bailout business became mainstream news, and suddenly, everyone was worried about whether we were looking down the barrel of a new depression, not just a recession.

Some of the media people I'd done interviews with had been doing their homework. But now, instead of stories about White House email, they were covering the Wall Street and mortgage meltdown.

While looking into questions about how businesses could transform themselves to weather the economic storm, a number of these reporters and radio hosts came across an out-of-print book called *The Flexible Enterprise: How to Reinvent Your Company, Unlock Your Strengths, and Prosper in a Changing World*.

I'm also an entrepreneur and I've been running small technology businesses and writing about competitiveness since the mid-1980s. Published 14 years earlier, *The Flexible Enterprise* was one of only a very few books ever written about business transformation in a recessionary economy. I was its author.

Suddenly, I was doing national interviews for a 14-year-old out-of-print book. My 80-year old Dad, living in southern Florida, regularly reads his Costco magazine (he does that). One day, he read an article on "How to stay sane in an insane economy," and was quite surprised to discover the tips were from his son. Neither of us had known I was even going to be in the magazine.

I was interviewed for a couple of articles in New York's *Newsday*, for the technical journal *eWeek*, and even for limousine and agricultural trade magazines, all on the issue of staying in business and succeeding in challenging economy.

I found myself talking about tactics I'd developed in the recession of the early 1990s, tactics that were in many cases still valid today. But I also talked about how competitiveness and jobs were critical for our security as a country, how the world has changed so much since 1996, how outsourcing, social networking, the Internet, and the rise of competitor nations like China and India were changing the face of American business.

You see, when most people think of "national security," they think of our armed services or protecting against terrorism. Sometimes, they'll add law enforcement to the mix, and since 2001, many people also think of homeland security as a part of national security.

But a confident middle class, a solid job market, and a healthy populace are as relevant to national security as any tank or gun. Industrial might is what really won World War II for America.

Dwight D. Eisenhower, who was Supreme Commander of the Allies in Europe during World War II, once said:

> *Throughout the struggle, it was in his logistic inability to maintain his armies in the field that the enemy's fatal weakness lay. Courage his forces had in full measure, but courage was not enough. Reinforcements failed to arrive, weapons, ammunition and food alike ran short, and the dearth of fuel caused their powers of tactical mobility to dwindle to the vanishing point. In the last stages of the campaign they could do little more than wait for the Allied advance to sweep over them.*

Almost two centuries earlier, Thomas Jefferson pondered America's industrial capacity, saying:

> *Experience has taught me that manufacturers are now as necessary to our independence as to our comfort.*

The key to our industrial might is successful, operational, and highly functional companies. Those companies need workers to churn out their products. Without this solid industrial base and effective workforce, America would never have won World War II.

We also can't succeed as a nation with millions of sick people. Teddy Roosevelt is widely credited for successfully building the Panama Canal in the early 20th century, which connects the Atlantic Ocean with the Pacific.

But there were earlier efforts. Holy Roman Emperor and King of Spain Charles V ordered a feasibility survey for a canal as early as 1534. In 1698, the Kingdom of Scotland tried to create an overland trade route, and in 1855, the Panama Railway crossed from one coast to another. But though all this, a sea route was desired. And in 1898, the French Canal Syndicate tried. And failed.

They didn't fail because of lack of engineering skill. They failed because their workers got sick and many died. It wasn't until President Roosevelt and his chief canal engineer John Frank Stevens instituted sanitation requirements and mosquito control programs that yellow fever was eradicated from the Panama isthmus.

It's quite obvious that the key to success in building the canal was keeping workers healthy. After all, sick workers can't build things.

These lessons apply to America today, in an increasingly competitive global market. America needs a strong workforce to compete. And, as we've come to know in these last decades, stress makes people both sick *and* stupid.

As a nation, we can't compete if our populace is constantly stressed about whether they'll lose their jobs or homes. We can't compete if formerly productive, highly-skilled middle-class workers are worrying about whether they'll wind up homeless.

And our people need to be healthy. Health care has been a big fight over the last five Presidential elections, but there's really no doubt: without a healthy populace, we're not a healthy nation. It's not a matter of whether some people deserve health care and others don't, or whether some people can afford insurance and others can't. Instead, it's simply a matter of national security.

So is saving and creating jobs. And that's why I've written this book. Because jobs, industry, population, and health are all matters of national security. I've often said that homeland security begins at home. Well, national security begins with a secure nation. If our workforce is constantly insecure about their homes, their jobs, and their health, we won't have a secure nation.

The How To Save Jobs projects

Writing this book took a lot longer than I'd initially expected, and it turned out to be a considerably longer book as well. That's because, as much as anything else, writing this book was a journey of discovery.

I'd defined a pretty challenging and broad mission statement: saving jobs in America. I wasn't willing to just cry about our problems, I wanted to create a road map for turning things around, as well as provide some hands-on techniques you can use without waiting for Washington to get its act together.

As I wrote the book, it became apparent that there were tangible projects that could really help America solve some of its toughest problems. Later in the book, I'll detail the America's Share project, the National Skills Database, the Working From Home Council, the Empowered Patient & Health Initiatives, and more.

Because I'm an action-oriented guy, I didn't just want to talk about what needs to be done, I wanted to help make it happen, and start the ball rolling soon.

Each of these projects needed a home, and the proper business structure for this sort of work is a nonprofit. While putting the final touches on the book itself, I also worked with a small team to start a nonprofit organization called the U.S. Strategic Perspective Institute.

The U.S. Strategic Perspective Institute is an independent, non-partisan, non-profit, public policy think tank devoted to helping America solve some of it's toughest operational problems including jobs, international competition, health care, the environment, government transparency, and cybersecurity.

Our mission is to explore tangible, measurable problems facing America in the 21st century from the perspectives of technology, national security, and competitive strategy and to provide a strategic perspective as a foundation for discussion, education, research, policy, and tangible, measurable solutions.

Through its projects — How To Save Jobs, America's Share, the Online Safety Foundation, the Presidential Technology Watch, the Working From Home Council, the Empowered Patient & Health Initiatives, and the Journal of Strategic Perspective — the Institute seeks to explore and present innovative and practical options for securing America's future.

Yeah, no pressure, right?

As you read this book, though, you'll see these things *are* possible. If you want to help out, you're welcome to. Just point your browser to HowToSaveJobs.org and feel free to volunteer and contribute.

To kick things off, I'm putting my money where my mouth is. I'm giving away this book digitally to anyone who wants it. And, as you might imagine, there's a story behind this as well.

I have a very good friend who I've known for more than 30 years. I kind of think of him as the little brother I never wanted. Anyway, my buddy's had a tough life. He's the victim of a messy divorce, has a car that's just gathering rust because he can't afford to get the engine fixed, and every penny he earns gets siphoned away to pay health insurance and child support.

One day we were talking on the phone and my friend very earnestly told me, "I'd love to read your book, but, you know, I can't afford to buy anything right now." I couldn't send him a copy because he lives in a part of town where any mail or packages that are delivered get ripped off before he gets home from work. But he's smart and capable, and is one of the people who could really benefit from the tips and techniques at the end of this book.

Over the months writing, I kept thinking about my friend and all those people like him who might benefit from a book like this, but couldn't or wouldn't pony up the $24.95 it takes to buy it. There's no way I could afford to give away thousands of printed copies of the book, but digital copies have no cost of goods. I *could* give away digital copies.

Of course, publishers aren't exactly crazy about giving up a distribution channel, especially one growing the way Kindle and other electronic books are growing. Most publishers just aren't all that big on the free thing.

Fortunately, my day job is as editor-in-chief at ZATZ Publishing, a 12-year-old book and online magazine publisher. More to the point, I'm also the company's largest stockholder. If I wanted to give away a book, I had the clout to persuade *this* publisher to do it.

And that's what we're doing. Through a grant of rights from ZATZ Publishing to the U.S. Strategic Perspective Institute, we are giving away free digital copies of *How To Save Jobs* to anyone who wants a copy.

Not only that, the grant of rights allows you to go ahead and give away digital copies as well. So if you have a digital copy of *How To Save Jobs* and you want to give it to one friend or 100 friends, go ahead and do so. You can download a PDF copy of the entire book by visiting HowToSaveJobs.org and clicking the Download button.

You are also welcome to post copies of the PDF on your Web site, if you'd like, and distribute it that way. All I ask is you don't change the content of the book (that'd just be weird) and don't sell it (that'd defeat the whole purpose of free distribution), but you're welcome to distribute the digital copy of the book as far and as widely as you want. Of course, if you prefer, printed copies of this book are still available for purchase from Amazon and better bookstores everywhere.

America has some real problems to solve, this book is a road map for how to solve them, and now anyone can travel that road without paying a toll.

A few years ago, I asked John Wiley & Sons, publishers of *The Flexible Enterprise,* to return all rights in the book to me, which they did. Because I now own all rights to the book, I'm also putting it online for you to read for free. In its day, *The Flexible Enterprise* was a ground-breaking look at business change and, in many ways, served as the catalyst for *How To Save Jobs.*

I've added a new forward to *The Flexible Enterprise* and even though the book is quite clearly dated, there are still lessons to be learned from giving it a read. It, too, can be downloaded from HowToSaveJobs.org. Just point your browser to the site and click Download.

Acknowledgements

This book has been made possible by a *lot* of people. It's been one of the most interactive projects I've ever worked on.

I'd like to thank CNN for hosting my blog on the *Anderson Cooper 360* Web site. I had the opportunity to field-test chapters of this book with CNN's viewers prior to publication and got invaluable feedback, both from CNN's incredibly professional and surprisingly cool production team as well as their viewers and readers.

In particular, I'd like to thank producers Barclay Palmer, Eliza Browning, Jill Billante, Ella Perlis, Elise Miller, and Michael Schulder along with our favorite on-air personalities Anderson Cooper and Erica Hill.

There is, however, one special group of people I'd like to thank, because without their help, the book wouldn't have been possible.

I'm not independently wealthy. I make a decent living, but I count on my salary from ZATZ to keep my family under a roof and equipped with all the necessary caffeine and chocolate for daily living. That means I couldn't just take a year off and write a book. Instead, I have a small publishing business to run and we count on our advertisers keep our lights on.

In a down economy, one of the first expenditures to go is advertising. Advertising is one of the few things that can fuel new business, but it's still often one of the first things cut. I'm particularly grateful to the ZATZ advertisers for sticking with us, putting their faith in the ZATZ magazines, and keeping me in pizza and burgers long enough to complete this book.

Our advertisers are mostly small companies, just the sort of company that we're going to be relying on to restart America's job-creation engine. And so, without further ado, I'd like to thank the following companies and their dedicated employees for making *How To Save Jobs* possible:

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MartinScott Consulting
Melissa Data Corp
metaLogic Consulting
MK Net.Work S.A.
More Productive Now
mValent
NetIQ Corporation
NOVAData
Online Corp. Software
OpenScope
Paisley Consulting
PalmGear, Inc.
Permeo Technologies
pinpointtools, llc
PistolStar, Inc.
PostPath
Primeapple Limited
Prominic.NET, Inc.
Proposion, Inc.
QED Advanced Systems
Qvadis
Research In Motion
Royal Caribbean
RSOutlook
Saunders, USA
Softalk
SoftQuest
Software Cinema
SolutionPlanet, Ltd.
Sperry Software
Stampede Technologies
Standss, Ltd.
Stationery Central
StylusCentral.com
Sun Microsystems, Inc.
SwiftPage Email
SWING
Synaptris, Inc.
Tanner Research, Inc.
Teamstudio, Inc.
The Bull Market Report
The Crafty PC
The Learning Continuum
The Shireburn Group
The SpeedWork Company
The VIEW
ToolButton, Inc.
Transend Corporation
WorldData
Xequte

This book also wouldn't have been nearly as good without the involvement of the incredibly lovely, wildly talented, scarily smart, and adorably cute Denise Amrich, my wife (and, for more than a decade before we were married, my managing editor).

Strap in, fasten your seat belts, and hang on. You're in for quite the ride...

PART I

THE STATE OF JOBS IN AMERICA

A shocking and disturbing look into how changes worldwide have created enormous disruption in the very nature of jobs in America.

CHAPTER 1

What is a job?

Job. Such a simple word has such a profound meaning for everyone in our society. Three simple letters reflect where we spend much of our time as adults, how well we can support ourselves and our families, and even our standing in our community.

When we're making a living, or having an occupation, a trade, a career, a profession, a calling, a vocation, and a livelihood, we're also talking about jobs. But what exactly is a job? Why do jobs exist? How are they created? How are they lost? And, of most import today, how can we save them?

You need to understand why a job exists.

Let's talk for a minute about what, exactly, a job is. Fundamentally, a job is a trade of time, skill, and spirit for something of value, usually money. You and I put in a good work week and we expect to get paid.

But who pays for the jobs? To answer that question (and it's a *very* important question), we need to understand why a job exists. At its root, a job exists because somebody needs something done and either can't, or won't — or doesn't want to — do it himself.

Sometimes, we rent that skill. For example, when you go to see a doctor, you're essentially renting a portion of her time, in return for her wisdom, experience, and skill. Many people who freelance or who perform trades work (plumbers, electricians, carpenters, etc.,) often also rent their skill like doctors, a few hours at a time to each client or customer.

If you're a freelancer or a sole proprietor, you not only have to do a good job, you need to create your jobs, get your gigs, and run your own business. This book will help you, because it'll help make your business more successful. It might even help you reach the point where you're creating additional jobs.

The more traditional job exists because a company hires an employee. The company needs work done, and the employee agrees to do the work in return for a paycheck — and those all-important benefits.

What's your occupation? How are you occupied? Do you work for someone else, have them tell you what to do and how to spend your time, in return for money and benefits? Many jobs are great and people love them. But many other people hate their jobs, staying simply because the job market is so soft or because they're trapped by their benefits package.

Your company does not exist to create jobs. Jobs are the by-product of enterprise.

When I first left engineering school more than a quarter of a century ago and entered the labor force as a newly-minted computer scientist, I didn't really understand what made my job possible and, honestly, as long as I got paid and the work didn't suck *too* much, I certainly didn't care why my job existed.

Many employees don't think very far beyond that basic transaction of time for work (and health insurance). Oh, at a very general level they understand the company needs to be making money, but the details of that process often seem very far removed from the tasks done each day.

Things become more tangible during down markets. It's at this time that layoffs happen. A company usually reduces its head count because it's not making enough money or is somehow not successful enough to keep everyone employed. Even if it's just to increase profitability, any time a company reduces head count, something isn't working out right, too many people were hired, or some other hiring mistake was made.

Sometimes, the company hired people it shouldn't have and layoffs are a correction. Sometimes, the company uses a down economy as an excuse to get rid of poor performers and those with bad attitudes. Sometimes, the company simply can't afford to make its payroll. And sometimes, it's about maximizing profitability for the sake of maximizing shareholder value.

In all these cases, it's the business climate that informs the company's employment strategy. Clearly, the better the company is doing, the more likely it is to keep its employees — and even perhaps hire more.

A job, fundamentally, is a way of supporting yourself and your family. It doesn't necessarily mean going to a place of work and having a boss. Your job could involve freelancing or building your own business.

My job is like that. I had my last, official go-to-work boss all the way back in 1986. That means I've been making my own living by creating products and services, writing and publishing, and helping other businesses succeed for almost 25 years.

But while a job in the eyes of most employees is a way of supporting themselves, companies do not exist to create jobs. Jobs are not the purpose of enterprise. Jobs are the by-product of enterprise. This is a very important concept and is absolutely fundamental to the mission of saving jobs.

A company is not successful because it has created jobs. A company creates jobs because it has some level of success. The more successful a company is, the more jobs it creates to support that success.

It stands to reason, then, that if we want more jobs and we want to save the jobs we have, our companies need to be more successful. The answer to the question of "How do we save jobs?" is this: create more successful and sustainable companies.

Later in this book, I'll tell you how to do just that. I'll help you understand some tactics and strategies for making sure your business is more successful, and help you understand how you can thrive in times of challenge and times of change.

But before we get to the nitty-gritty, let's take a few minutes to understand how we got here. Let's start with a short history of jobs...

CHAPTER 2

A short history of jobs

Human civilization goes back more than 16,500 years. Harvard Professor of Prehistoric Archeology Ofer Bar-Yosef talks about a civilization he named the "Natufians." These were a people living near modern-day Israel, an ancient tribe he believes were perhaps the world's first farmers.

Today, the area near Israel and Jordan is barren and dry. But 16,500 years ago, it was very different. Using *palynological* (the study of spores and grains), *paleobotanical* (fossil plants), and *geomorphological* (the origins of landforms) data, Professor Bar-Yosef describes the region as "an oak-dominated parkland and woodland that provided the highest biomass of foods exploitable by humans."

In other words, it was very Garden of Eden-y.

These early humans were unconcerned about paying their mortgage or buying their next car. Instead, they had four fundamental needs: food, some form of clothing, objects crafted into tools and weapons, and shelter.

When these early humans "went to work," they were initially hunter-gatherers. Their time was spent chasing game and finding animals and other objects they could transform into food, tools, and weapons.

As far back as 16,500 years ago, Natufians processed their food. Archeologists have found ancient bowls and ground stone mortars, which imply that ancient humans transformed the raw food substances they hunted and gathered into a form they found more edible.

Later, Natufians lived in semi-underground, round huts. Archeologists have found stone and lime-plaster-covered benches, as well as hearths and even kilns for burning limestone and creating bone tools. The people who made these objects were humanity's early masons and engineers.

Over time, the Natufians, for a variety of reasons including changing climactic patterns and populations, began to settle down. Tools have been found that indicate planting and land cultivation, as well as larger settlements.

The difference between work and a job

This is a good place for us to discuss the difference between "work" and "jobs." Many of us go to work, and that work is often a job. While the Natufians clearly worked (digging, planting, hunting, foraging, building), the concept of trading currency for labor was far in their future.

And that's it, really. Work is labor. A job is trading currency for labor. Trading for labor is an ancient practice. Unfortunately, sometimes people were traded as if they were property.

Historians can trace slavery as far back as ancient Egypt. As abominable a concept as slavery is, it would have never existed as a practice if some people didn't need other people to get work done. Prisoners were often turned into slaves, as were criminals. America, of course, has its own history of slavery, where Africans were captured and shipped — in the most deplorable conditions — to the nascent United States.

Another form of labor ownership was the so-called debt-slave or indentured servant. Although illegal almost everywhere, this practice still exists in parts of the world today. In order to pay off one's debts (often incurred in the most unfair ways possible), a person becomes a virtual slave, working to pay off debts that never seem to lessen enough to free the worker.

One of the closest analogs we have today for indentureship is in the scholarship practice of most modern universities. Nearly all modern Ph.D. programs consider graduate students to be a never-ending supply of nearly free labor, assisting staff and professors in various research projects, in return for course credit and thesis support.

Yet another form of indentureship was apprenticeship, where an individual would trade labor in return for training. In some cases, a child or teenager would be sent by his parents to a craftsman to be treated almost as property and used for free labor until the child fully learned his or her trade from his craftsman owner/instructor.

Back in colonial times and earlier, skills were passed down through apprenticeship. Guilds were created to control trade, share skills, and create barriers of entry to outsiders.

Colonial America was a place of tradesmen and guilds. With the exception of a very few world-spanning enterprises like the East India Company, there were few large employers. Most people either worked for themselves or for local tradesmen and merchants.

So much did these early craftsmen identify with their trades that their surnames became associated with their trade skills. Today we have surnames like Archer (someone skilled with a bow and arrow), Baker and Baxter (both used to describe people who make yummy cakes and breads), Brewster (a female brewer), Carter (often someone in charge of stables or wagons), Chamberlain (someone in charge of the household), Chapman (a merchant with a marketplace booth), Connor (an inspector or tester), Cooper (someone who makes barrels), Granger (the steward of a farm), Harper (someone who plays the harp), Jagger (the person in charge of trains in a coal mine), Joyner (someone who joins pieces of wood), Mason (someone who works with stone), Mercer (someone who deals in expensive silks), Parker (someone who manages parks), Poynter (a lace maker), Rodman (today, a very flamboyant basketball player, but back in the day, a surveyor's assistant), Sawyer (someone who cuts timber), Smith (someone who makes or repairs metal items), Turner (someone who uses a lathe), and Wainwright (someone who builds or repairs wagons).

Thankfully, very few families adopted the trade of "ankle beater" (someone who drives livestock to market) and although a "batman" was an officer's servant in the army, our Batman is known to everyone as Bruce Wayne's alter-ego (and the owner of that hottest of hot rods, the Batmobile).

For the record, my last name — Gewirtz — means herb or spice and although my immediately family has no record of any ancestors in the spice trade, my great grandfather lived in a part of the world that was on the ancient spice trade routes. I also know for a fact that we Gewirtz's are pretty spicy folk!

The transactional nature of work

In today's civilization, it's virtually impossible to survive without money. A hundred and fifty centuries ago, if a Natufian wanted to build a hut, he'd find an empty spot of land and dig. But, today, if an American wants to build a house (or even a hut), land has to be bought. If you want to live inside a structure, a transaction of some sort has to take place and that requires money.

It is the transactional nature of a job that creates its complexity in terms of the rest of society. If you want to work for someone else (and have them pay you), you have to convince them that employing you will meet their needs. If you're self-employed, you have to convince prospective clients and customers that hiring you will meet their needs.

In other words, getting a job or getting a gig requires some level of marketing to make someone aware you're there to do the job and some level of sales to convince them you're the right person for the job.

Over the centuries, the nature of work evolved to eventually result in the world of employment we've all come to know and love. There's now always someone buying work and someone else selling it.

The transactional nature of work has also led to all sorts of power imbalances. When there's too much work and not enough workers, it's a seller's market and the workers have more power over what jobs they accept and at what pay level. When there's not enough work to go around, we have a buyer's market and then the employers can set the terms, confident that if one worker won't accept the pay or conditions, some other worker will.

This power imbalance has led to some seriously bad situations.

The 1999 massacre at Columbine High School wasn't the first Columbine massacre. Back in 1927, in a town with the sadly ill-suited name of Serene, Colorado, miners at the Columbine Mine went on strike. More than 500 miners had brought their families to the mine as part of their strike demonstration.

Members of the newly-created Colorado state police, dressed in civilian clothes, blocked the miners' path to the mine. A fight broke out, machine guns were fired into the crowd of demonstrators, and five of the striking workers were killed.

On May 26, 1937, members of the United Auto Workers planned a demonstration at the Ford River Rouge car plant. The union wanted workers to make $8 for a six-hour work day, instead of the $6 for the eight-hour day they were then working. Adjusted for today's money, workers were making what would now be about $11.25 an hour and the union wanted wages raised to the 1937 equivalent of today's $20 per hour.

Timed for a shift change with 9,000 workers cycling through the plant, union organizers planned a photo-op. Two of the organizers posed in front of a Ford sign for *Detroit News* photographer James E. Kilpatrick. Reports claim that as many as forty members of Ford's security force came down on the workers, leaving the demonstrators battered and bruised, and at least one demonstrator was left with a broken back as a result of the beating.

These are just two examples of protests and fights that have taken place between employees and employers. American history is filled with stories of labor riots, like the Haymarket Affair that took place in Chicago's Haymarket Square in 1886. A bomb was thrown at police, eight police officers died, eight protesters were charged with murder, four were put to death, and one committed suicide while serving time in prison.

Our changing relationship with work

Our relation with work has changed as time passed. With the advent of the Industrial Revolution, more and more people lived in cities and areas removed from the land. Individuals became more reliant on buying food and goods rather than growing their own.

America transformed from a tradesman-based economy to one based on the economies of scale factories and industry could produce. The shoemaker, for example, who'd spent years honing his craft and would take weeks to make a pair of shoes couldn't compete with the industrial age shoe manufacturers that could crank out virtually identical shoes of equal (and sometimes better) quality in mere minutes, and at a fraction of the cost.

For a newly industrialized America, the Great Depression was a one-two punch. Farmers, who were normally relatively self-sufficient, were put out of work due to a man-made occurrence known as the Dust Bowl. But because of the worldwide economic downturn, there also weren't jobs in the cities. Farmers couldn't move to the city to find work, and city dwellers couldn't move to the unarable open land.

Both of these problems (the economic downturn and the bad land) were man-made. Every school child has been taught about the 1929 stock market crash and the massive bank failures that led to the economic disaster that followed. But few of us are aware of what caused America's worst man-made disaster.

Because farmers kept deep-plowing in the same land over and over again without any plan for crop rotation, the land's ability to create grasslands and generate soil-retaining root structures was all but depleted. When a drought hit the Great Plains in the 1930s, soil that should have been able to withstand a drought and the prairie winds had nothing to keep it in place. By the end of the crisis, more than half a million people were homeless and more than 2.5 million moved out of the prairie states.

For millions of desperate people looking for the very few jobs still hiring, the power balance was all in the employer's favor. Desperate workers left home and their families, traveling anywhere there were even rumors of open jobs available.

Interestingly, because homes were smaller and people didn't live as long, most displaced families didn't have the option, no matter how undesirable, to move "back home" to Mommy and Daddy. In many cases, neither Mommy nor Daddy was still alive, or their homes were much too small to handle additional residents, or they had been displaced as well.

Of course, there's a disturbing parallel between the Great Depression/Dust Bowl era and what we're living through now, in 21st century America. We've got a devastating downturn in the economy and the potential of global warming, a climatological condition that most scientists believe is caused by industrially flatulent humans — a condition that many respected scientists fear could become a devastating, world-wide natural disaster. It's something to think about.

World War II changed the calculus of employment demand. A large percentage of the nation's male population was deployed overseas and there was a huge demand for weapons and war materiel (military arms and ammunition). So many jobs were open and in desperate need of workers that America's women entered the workforce *en masse*.

The G.I. Bill provided for college or trade skill education, a year of unemployment, and low-interest loans for buying a home or starting a business.

After World War II ended, many American G.I.'s returned to the workforce, but women also remained, working in factories and offices throughout the country. The Servicemen's Readjustment Act of 1944 (what most people know as the G.I. Bill) initiated a profound change in the American workforce. The G.I. Bill provided for college or trade skill education, a year of unemployment, and low-interest loans for buying a home or starting a business.

Many Americans think the reason the 1950s were boom times was because of all the money spent on the war, fueling industry and jobs. But *The Historical Development of Veterans' Benefits in the United States: A Report on Veterans' Benefits in the United States* by the President's Commission on Veterans' Pensions, 84th Congress, May 9, 1956 contends that the real reason the 1950s took off so strongly was because of the “stimulus” provided by a wildly generous (and effective) G.I. Bill.

It was during this post-war period, with many newly former servicemen flush with low-interest loans to buy homes that our modern-day suburbia was born. More and more people wanted and had the means — courtesy of Uncle Sam — to buy homes. More and more houses (and supporting infrastructure) needed to be built. This gave rise to solid employment numbers during a period that would have otherwise experienced an employment crisis due to all those returning servicemen.

And then, there were the Baby Boomers. The Baby Boom was named for its best-known product: lots and lots of babies. The boom times after World War II, coupled with many couples reuniting, and, well, coupling, resulted in a boom in baby birth.

Time would pass and by the 1970s, most of those babies were in the job market. Of course, many of them hit the workforce during the late 1970s gasoline shortage and by the mid-1980s, most Boomers were well into their employment years. But with occasional economic recessions, intense consumer demand, and a whole lot of people competing for a finite number of jobs, getting and keeping a job required serious commitment from employees. For the Boomers of the 1980s, the power balance had moved back toward the employer.

Economists say business runs in cycles and although no one agrees on why, the economy was about to expand. For a while, our current generations of workers, GenXers and beyond, had it good. According to the the National Bureau of Economic Research, business was booming due to the longest economic expansion cycle since 1857, there weren’t enough employees to go around, and many Americans started to think about things like “work/life balance,” and working from home.

For at least a portion of the 1990s, the power balance was no longer with the employer, but the employee. The Internet also became a force, email, instant-messaging, Twitter, Facebook, and social networks all changed the nature of work. I'll be talking a lot more about the Internet in later chapters.

And then came the economic crisis of late 2008 and 2009. More than 65,000 jobs were lost on one Monday in January, 2009, alone. By April, 2009 unemployment was at a 25-year high. The U.S. lost 663,000 jobs in March 2009, 651,000 jobs in February, and 741,000 jobs in January. By mid-April, more than 5.1 million jobs had simply disappeared.

Job losses were so extreme that venture capitalist Fred Davis, who has funded many of Silicon Valley's most successful startups, declared that 22 years of job creation were wiped out in one day. General Motors, once the scion of American business, closed all of its plants for *nine* weeks in the summer of 2009, declared bankruptcy, and became a ward of the state.

Even though there are now many more people looking for jobs than hiring, the power balance hasn't *really* returned to the employers. Why? Because, instead, employers (including their most senior managers) are all simply struggling to hold onto their companies — and even top executives are wondering whether they'll be employed tomorrow.

But don't lose hope. Jobs can be saved and jobs can be created. That's what this book is all about. But that's later in the book. In the next chapter, I'll show you what we Americans are competing against. If you were losing sleep before, wait until you read the next chapter!

CHAPTER 3

China, India, and living on $2 a day

Here's an interesting universal truth: everyone wants a better life. This is as true of the desperate poor in third world nations as it is of middle-class Americans. And while economic downturns are scary to most Americans, even the poorest of Americans live a better life than the shocking level of never-ending squalor experienced by some of the poorest of the poor in developing nations.

Almost five times as many Chinese and Indian citizens live on less than $2 a day than there are people in the United States.

Nations like the People's Republic of China and the Republic of India have vowed to change all that. Together, China and India make up 37% of the world's population. By contrast, the United States has only 4% of the world's 6.77 billion people and yet our Gross Domestic Product (GDP) is almost double that of China and four times that of India.

If you want to understand the current job situation in America, you absolutely, positively have to understand the job situation in China and India.

China's economic overhaul

Both China and India began their long march to first-world status decades ago. Until about 1978, the PRC's economy was barely a blip on the world's radar.

When measured in terms of purchasing power, the economy of the People's Republic of China (PRC) is now the second largest in the world, with a $7.8 trillion GDP in 2008. The European Union's economy is technically larger, but that's for a cluster of countries.

China's economic reforms were gradual, often in response to specific problems or economic circumstances.

Since its inception in 1949, China ran a Soviet-style economy. Consumer spending was virtually non-existent, central planning determined nearly all economic activity, and the nation's industrial growth consisted mainly of building big factories. Entrepreneurship was not only *not* encouraged, it was actively punished.

From 1949 through the 1970s, China tried all sorts of economic gimmicks. The Great Leap Forward turned out to be a great leap into failure. The country attempted to move its farmers into communes and force the formation of small-scale factories and agriculture. The country's peasants weren't prepared for this, and agricultural productivity plummeted.

Small-scale factories produced output of scarily bad quality that was incredibly expensive to produce. During this time, the Soviets and the Communist Chinese found they couldn't play well with each other, and even though they shared similar economic philosophies, relations soured. China lost its Soviet advisors, and production quality dropped even more.

By the late 1960s, the situation had gone from bad to worse. Chairman Mao resigned. Liu Shaoqi became the second President of the PRC and headed up the country until 1968.

Liu Shaoqi instituted a series of changes, first among them letting farmers have private plots of land to tend. Communes got smaller and teams managing production were given greater independence. All this helped China's economy.

But then, in 1966, Mao decided he wanted to retake power and began the Great Proletarian Cultural Revolution. Although the Cultural Revolution didn't have a specific economic plan, it generated enough confusion and unrest to cause the country major economic damage as millions of people didn't know what they were supposed to do, didn't even know whether they were supposed to work on farms or in factories, and were afraid they'd be punished for doing the wrong thing. So they just stopped working.

The Cultural Revolution left lasting damage to worker productivity. Salaries were frozen, bonuses eliminated, factories employed too many workers simply to counter the extreme unemployment, and workers were hired on a permanent basis, with no regard for performance or quality. For almost 14 years, China's workers simply phoned it in and while the country's GDP grew, it didn't grow by much.

In 1978, Chairman of the Chinese Communist Party Deng Xiaoping initiated a series of economic reforms with the support of Chinese economic pragmatists. They reasoned that previous reforms like the Great Leap Forward hadn't really worked and didn't generate enough of an output surplus.

China's economic reforms were gradual, often in response to specific problems or economic circumstances. In some cases, like the closing of state-run enterprises, the government didn't really want to carry out the policy change, but found that economic necessity forced the change.

Initially, China began to allow farmers to keep their surplus, which effectively incentivized them to be more productive. The Chinese government then began to allow international trade and direct foreign investment. These basic reforms increased the overall standard of living for many Chinese, which provided encouragement and motivation for later reforms.

As China entered the 1980s, the government worked to transform production from an industrial base driven primarily by dictates from a central management committee into an industrial base driven much more by market forces.

A key to this was a dual-track price structure, where some goods were offered at state-specified prices, while other goods were allowed to price-fluctuate based on demand. Over time, the ratio of price-controlled to market-driven pricing dropped, and by the 1990s, the pricing of nearly all goods was driven by market demand.

By the end of the 1980s, the Chinese system was a strange mix of near-capitalism and old, Soviet-style central planning. But there was a lot less poverty and China was beginning to enter the world economic stage.

China began to encounter a new problem, one which is still suffers today: wealth disparity. Some Chinese had solidly entered and embraced the middle class, while many others remained dirt poor.

Despite the problem of wealth disparity, by the 1990s, it was clear China was onto something. Growth was increasing, foreign investment in industry had increased markedly, and inflation soared, but then later dropped as interest rates went up. And, in 2003, one of the biggest change was made in the Communist Party's Third Plenum (a legislative assembly of sorts). In 2003, protection was enacted for private property rights.

Change was working. China experienced an astounding level of GDP growth, averaging about 10% per year.

India's transformation

For much of the 20th century, India followed an extremely socialist economic policy. Their economy was excessively regulated, protectionism was rampant, corruption was everywhere, and growth was slow.

But in 1991, India changed its policy. Throughout the 1980s, India made it somewhat easier for businesses to grow. Rajiv Ghandi, India's Prime Minister from 1984 to 1989, removed price restrictions, and dropped corporate taxes to a much lower level than they'd ever been before. While growth increased, so did deficits, because less taxes meant less money in the government's treasury.

India's primary trading partner was the Soviet Union and, in 1991, the Soviet Union fell. For all intents and purposes, India lost its best customer. And then oil prices went up during the first Gulf War.

All of this led to a serious monetary crisis for the Indian government, which also suffered from a leadership vacuum. Rajiv resigned after losing an election in 1989 to Vishwanath Pratap Singh. Singh lasted in office for less than a year. Next came Chandra Shekhar, who became Prime Minister on November 10, 1990 and resigned on June 21, 1991. Finally, Pamulaparthi Venkata Narasimha Rao took office in June, 1991 and served until May of 1996.

India was in deep trouble. There were serious concerns that the government would need to default on its loans. India eventually requested a $1.8 billion bailout from the International Monetary Fund.

The bailout came with strings attached. The IMF demanded reforms. Rao's government initiated a program of economic liberalization, ending many public monopolies and allowing direct foreign investment in many of the country's industries.

Since then, like China, India has been riding the growth rocket, growing an average of 7.5% per year. Even more astounding is India's level of "economic engagement," a measure of India's goods and services trade in the world market. Between 2004 and 2006, India's level of economic engagement grew an astonishing 72%, from $235 billion in 2004 to $437 billion in 2006.

Economists now estimate that India's GDP will quadruple by 2020 and India's economy will pass America's by 2043.

Living on $2 a day

In 1981, 53% of Chinese were subsisting at the poverty level. By 2001, only 8% of Chinese citizens were considered at the poverty level. Of course, what China considers middle class is a lot different than what we here in America do. Although the poverty rate dropped from 53% to 8%, it's not like 92% of Chinese now have American-style homes and cars.

Many Chinese who are no longer considered "in poverty" still live in huts with dirt floors. But now they have enough food to survive. According to a 2003 Stanford University social entrepreneurship briefing book, to the Chinese, anyone making more than the equivalent of $2 a day is middle class. That's $730 a year, or about what many Americans spend on cable TV each year.

China is doing better than India in fighting poverty. More than 80% of Indians live below that $2 a day line, while only 40% of Chinese do. But that still leads to some astounding numbers. In countries experiencing astonishing economic growth, there are more than 912 million Indians and more than 528 million Chinese living on less than $2 a day.

There are almost five times as many Chinese and Indian citizens living on less than $2 a day than there are people living in the United States. According to Stanford University, the average person in India makes about $500 a year, and what they call the "composite urban" Chinese makes about $828 a year.

When you contrast these numbers to the United States median income of about $50,000 a year, you can begin to see why many American companies are so interested in the potential of outsourcing — and why the governments of India and China are so interested in encouraging the practice.

And all that, strangely enough, brings us to an untold story from the so-called "dot-com" Internet bubble...

CHAPTER 4

The dot-com bubble

While many of the tasks we perform here in the 21st century are pretty much the same as those we performed before the turn of the century, many factors have changed the flavor, pace, and experience of 21st century employment.

Chief among the factors changing the employment world has been the Internet. Of course, as we all know, the Internet existed for quite some time before we began the 21st century, but its almost overwhelming ubiquity has been a phenomenon of the last few years.

I figured that if I took their money and knowingly made false promises, it would somehow come back and bite me on the ass.

You may remember the boom (and subsequent bust) of the early World Wide Web. From about 1995 though about 2001, the excitement and irrational exuberance of the dot-com bubble seized the imaginations of financiers wanting to make billions from entrepreneurs and entrepreneurs wanting to make millions from their sweat and smarts.

This was a time before Google and YouTube, a time when Amazon was just starting up and we were all wondering if anyone would be willing to use his or her credit card online. It was a time when we techies found ourselves explaining to the less computer-savvy what ".com" meant, what those "www" things were, and trying to help our family and friends understand the difference between email and the Web. Twitter and Facebook were still years in the future.

For those who were dot-com entrepreneurs (and that included me), the Internet seemed to hold virtually unlimited promise. We were all convinced that this Web thing had the potential to change business and the world — and make us all tons of cash in the process.

We were half right.

Without a doubt, the Internet has changed the world. How it changed the nature and flavor of jobs is much of what this chapter (and another one further on) is all about. But while Internet investors and entrepreneurs were measuring what they called "eyeballs" (the number of people looking at Web pages), many forgot some basic business fundamentals like value, return on investment, and that tiny little thing called profit.

And so the dot-com bubble burst.

Excite.com was sold for $6.7 billion dollars in 1999. What's left of it is now a teeny-weeny part of the Ask.com property. Lycos and AltaVista were the big search engines of the day. Little bits of both are still around, but they're certainly not big-value properties. The list of failed dreams is virtually endless.

But out of the dot-com bubble came a rebirth. A few properties became absolute game changers. These were the Google, Amazon, eBay, YouTube, Facebook, Wikipedia, and Twitters of the world. These Web sites became more than just Web sites or Internet "properties" — they became essential resources for just about everyone.

Virtually no one calls a company to order a brochure anymore. Now we all just do a search and visit the Web site. Many people now make their entire living selling on eBay or Amazon. These two companies provide virtual shopping hubs so if you happen to want an old, out-of-print, original edition copy of

The Flexible Enterprise, or a fender to a 1956 Buick Roadmaster, or, for that matter, an original 1954 Fender Stratocaster owned by Hank Williams, Jr., you can find one online.

So why did the dot-com bubble burst?

Today, there's one Amazon, one company that sells virtually anything you want online. During the dot-com bubble, there were thousands of companies that wanted to be Amazon.

Today, there's one Google, one company that provides deep search access to anything you want on the Internet. During the dot-com bubble, there were thousands of companies that wanted to be search providers and portals.

Today, there's one eBay, one company that provides online auction services for millions of people worldwide. During the dot-com bubble, virtually every Web site wanted to have an auctions section.

Of course, there are still other e-commerce sites, search engines, and auction sites. They just don't really matter much to anyone. These three sites built a level of critical mass and brand awareness that proved to be a barrier of entry to their competitors.

And then, there was the rise of user-generated content. Instead of Web site operators hiring writers to do all their writing and creating all their content, so-called "Web 2.0" operators created sites as frameworks for their users to create content.

Facebook, for example, generates very little of its own content. Instead, you, me, and a few million of our "friends" create our own profiles. YouTube doesn't create its own videos. Instead, everyone uploads videos of their kittens, Metal versions of *The Munsters* theme song, and movies of firecrackers exploding out some wacko's, well, you've seen it...admit it.

Although there were a few huge winners, the dot-com bubble burst because of unrealistic expectations and impractical business models. I was there. I remember showing an investor how I could build a nice, multi-million dollar online magazine business. In response, he told me that he'd invest $5 million — if I promised he'd get back $5 billion within 18 months.

Many Internet entrepreneurs would promise anything they were asked, as long as they got their funding. I just couldn't do it. I couldn't bring myself to promise some banker that I could make him billions. It wasn't that I was more high-minded than the other guys. It's just that after studying what makes companies work for more two decades, I knew these valuations weren't sustainable.

I figured that if I took their money and knowingly made false promises, somehow it'd come back and bite me on the ass. It just seemed like a bad idea.

Instead of taking outside capital, my company continued to run along nicely, fueled solely by our own sales. We always made just a bit more than we spent, and managed our costs so that we were always funding ourselves. That's why ZATZ Publishing is still around and many of those dot-com companies aren't.

Many entrepreneurs of that era signed "term sheets" with investors, venture capitalists mostly, and started their businesses. Teams got funded to start and operate Internet companies, but most business plans reflected an intentional "strategy" to lose money.

The most popular idea of the time was to "spend yourself big." The theory was "eyeballs" (people visiting a Web site) equated to value, and therefore companies with lots of eyeballs were worth billions regardless of whether there was any plan whatsoever for making money.

Some lucky founders managed to cash out, and it was the acquiring company that bit the big one. Excite.com is a good example. Excite.com was bought for $6.7 billion dollars on January 19, 1999 by @Home Networks, a company owned by cable giants TCI, Comcast, and Cox Communications. On October 31, 2001, @Home filed for bankruptcy and over the next year, 1,350 employees lost their jobs.

But other dot-coms simply died because their investors wouldn't give them any more money to lose. Pets.com was a classic example. This company began operations in February of 1999 and closed shop in November, 2000. After buying a $1.2 million Super Bowl ad and burning through $300 million dollars in investment capital, the company closed. Once the dot-com bubble started to deflate, no one was willing to invest good money after bad in a company that lost money on every order. 320 people lost their jobs.

According to the *Los Angeles Times,* when the dot-com bubble burst, it wiped out $5 trillion dollars in market value for tech companies. More than half of the Internet companies created since 1995 were gone by 2004 — and hundreds of thousands of skilled technology workers had lost their jobs.

But before all these people were fired, even more needed to be hired. And that, in a bizarre twist of fate, brings us to outsourcing...

CHAPTER 5

Outsourcing the American dream

To many Americans, the word "outsourcing" is a four-letter word. It implies, as Ross Perot called it way back in 1992, a "giant sucking sound."

Perot was concerned about NAFTA in the early 1990s sucking good paying American jobs to Mexico, but as it turns out, he had no idea how drastically the world was changing — and certainly he had no idea of the magnitude of the problem we'd be facing a couple of decades later. As you'll see, NAFTA is the least of our worries.

We've been actively permitting foreign companies to set up shop here, and then bring in their people to displace ours.

In the 1990s, the term "outsourcing" was used when a company would contract out a department or operation (like computer maintenance) to another company with expertise in that area (and where costs could be controlled more effectively). While outsourcing was as wildly unpopular among workers then as it is now, at least most outsourced jobs stayed in the U.S.

But these days, outsourcing means jobs leave the United States for less advantaged countries.

Outsourcing is one of our main job-related problems, and I'll talk more about it later in this chapter. But it's not our only problem. In fact, the policy of the American government over the last half a decade or so has not only made outsourcing economically viable, it's all but encouraged bringing foreign workers into the United States.

And, in a shining example of your tax dollars at work, we're not just bringing foreign nationals into the United States to work for American companies. Instead, we've been permitting foreign companies to set up shop here, and then allowing them bring in their own people to displace ours.

The failure of the H-1B visa program

So, while China and India were slowly moving their 2.5 billion people out of abject poverty and into the world economy back in the late 1990s, many American investors were trying to figure out how to make billions of dollars by creating companies that produced no products, provided no value, and made no money. In other words, the dot-com craziness was in full force.

To support the insanity, companies that didn't exist six months earlier and had no plans of ever figuring out how to make a profit were hiring thousands of workers at a break-neck pace. For a short period of time, it was nirvana for job hunters. Companies were offering not only excessively high compensation packages, but side benefits like a company masseuse and cafeterias run by chefs who used to work for 5-star hotels.

In order to meet their soaring demand for workers, particularly specialty technical workers, both large established tech companies and smaller, new startups took advantage of the U.S. government's H-1B visa program and started to "insource" jobs from — you guessed it — India and China.

The U.S. H-1B visa program allows U.S. employers to temporarily employ non-citizens and keep them in the United States for an extended period of time — three years, extendable to six, and extendable again for up to another four years — for a total of ten years for certain workers.

Back in the early days of the program, only 65,000 H-1B visas were granted each year, and the cap was never reached. But once the Internet boom took off, American companies lobbied to have the quota increased. In 1998, it got bumped up to 115,000 and then in 2000 (at the peak of the dot-com boom) to 195,000.

Since the quota increases were temporary, they eventually dropped back down to 90,000 by 2004 and then, shortly after, to 65,000. But that didn't last.

In 2006, the United States Senate passed a bill which permanently raised the 65,000 quota to 115,000, set it to automatically increase the quota by 20% whenever the top-end was reached (with no provision to lower it back down), added another 6,800 visas for various trade agreements, added 20,000 additional visas for those with graduate degrees, and made visas for work at nonprofit organizations completely and totally exempt from the quota. That means colleges, hospitals, and other enormous nonprofit enterprises can bring in as many foreign workers to America as they'd like.

Ostensibly, the H-1B visa program was intended only for workers with special skills, skills that either Americans don't have, or for which there aren't enough American workers to go around. However, the special provision for additional H-1B visas to anyone with a graduate degree showed that special skills requirement was quite loosely defined.

You'd think American companies would be the ones most likely to be issued H-1B visas. After all, the whole purpose of the program was to allow American firms to hire foreign individuals of unique skill.

You'd think that, but you'd be wrong. Six of the top ten companies issued H-1B visas (Infosys, Wipro, Tata Consultancy Services, Satyam Computer Services, Patni Computer Systems, and Larsen & Toubro Infotech) are based in India. A seventh company, Cognizant, has most of its employees in India but has a U.S. headquarters in Teaneck, New Jersey.

Rounding out the top ten are Microsoft (ranked #3), IBM (ranked #8), and Oracle (the huge California-based database software maker, ranked #9).

The bottom line is the H-1B visa program doesn't work — and actually harms American workers. A program designed to bring in foreign workers with special skills to help American companies instead helps foreign companies bring foreign workers into the U.S. to displace both American workers and American companies.

While foreign workers were being brought into the U.S. to displace American workers with the help of the U.S. Congress, American jobs were also being sent to India and China.

The outsourcing boom

The dot-coms still had lots of work to be done, and not enough Americans were available to do it all. Many of the dot-com firms began to outsource much of their work to make up for the lack of available U.S. workers.

At about the same time, many companies were concerned about the so-called Y2K crisis. If you recall, this was the worry that many computer programs were built with only two-digit date codes, but once the year went from 1999 to

2000, all the date calculations in all those programs would fail. Checking over all that code required a lot of workers. Many American firms sent this work offshore as well.

The Internet, of course, made this much easier to do. Email and the Web, along with the rise in instant messaging, made communication across previously daunting distances virtually instantaneous (and dirt cheap). With the availability of high-speed broadband Internet and VOIP (Voice-over-IP), a telephone call from New York City to Bangalore often costs less than a call over the plain ol' copper telephone system from New York City to Albany.

And that's why, when your computer fails, you're probably going to wind up talking to someone in India instead of someone in Indiana. When you call a U.S. number for support, your call is routed over the Internet (for free) to a call center located across the ocean. Call centers no longer have to absorb extreme telephony charges.

Your rant about your inability to get your computer to work so that you can order that fancy new $200 pair of shoes is likely to be responded to by someone in India who, if she's lucky, might own one pair of ten-year old shoes and makes less than $200 for an entire month's work.

Information technology research firm Forrester estimates that 400,000 jobs were lost in the first four years of the new century and up to 3.3 million jobs will be offshored by 2015. A McKinsey report published in 2004 predicted that up to 4 million IT worker and back-office jobs would be outsourced to India alone by 2008 — and that prediction was made well before the 2008/2009 financial crisis.

I think it'll be a lot worse. A *lot* worse. As you'll see in the coming chapters, there are a lot of people outside the United States willing to work for a very small fraction of what Americans need (and that's before our cost of health care). With dwindling profits, I think it's going to be almost irresistible for larger American companies — and almost unimaginable numbers of jobs will be sent to where the labor is dirt cheap. Unless, of course, we do something.

American firms got their feet wet sending work overseas during the dot-com boom and got comfortable with the idea. Then, when they suddenly needed to save a *lot* of money, they adopted offshoring as a key business strategy.

And that's where offshoring becomes compelling to companies in today's economy. A U.S. International Trade Commission report estimates that outsourcing to India can save American companies 30 to 70% on labor costs.

Offshoring allows U.S. companies to avoid paying for ever-increasing health benefits. Offshoring also allows U.S. companies to convert a payroll expense into a fixed cost, making it far easier to budget and analyze expenses.

Consider IBM. The global technology company began American layoffs in early 2009, dropping more than 5,000 workers. To pick up the slack, according to the Wall Street Journal, many of those jobs were moved to India. "IBM can pay an engineer in the U.S. $120,000 or an engineer in India $25,000, like the Indian providers do," says Ben Pring, research vice president at Gartner.

Offshoring is a national security risk

What's particularly disturbing in a post-9/11 America supposedly more aware of national security issues is just how much confidential American data is finding its way into the hands of foreign nationals.

According to the same U.S. Trade Commission report, "Some of the earliest U.S. services outsourced to India included medical transcription services, payroll accounting, credit card call collections, mortgage and insurance claim processing, and data processing."

That means individuals and companies in foreign countries have access to our credit card records and much of our personal identity information, our confidential medical records, and even detailed information about our homes. According to a study by McKinsey Global, nearly 45% of the Indian business process outsourcing market consists of financial work, administration work, and payment processing activities.

In a world where identity theft is a huge problem, giving foreign nationals access to our most confidential private information is a dangerous security risk. Consider this: the countries most likely to engage in cyber-espionage with the United States are also the countries with lower-wage employees — places where we're actively sending our most confidential data.

We're also outsourcing our intellectual property and our most valuable trade secret data. Our top technology companies — IBM, Microsoft, and Oracle — are also among the most active in both bringing in foreign technology workers and in outsourcing technology work to foreign nations.

Consider that a typical American computer programmer can demand a salary from $60,000 to $90,000 (and often a lot more). In India, an equivalent job pays from $6,000 to $10,000 per year. Forrester estimates 472,632 software development jobs will be outsourced to India by 2015.

The impact of this is not just lost jobs. You're looking at nearly half a million people outside the United States who will have access to the source code that runs our computers, our systems, and our lives. Instead of Americans having access to the confidential crown jewels of modern technology, it'll be technology experts with loyalty to another nation.

There's also a huge cadre of foreigners in the United States with access to top-secret and sensitive information. Our technology universities often hire professors and graduate students who are foreign nationals. Those same universities often do research projects for both the American military and America's leading industrial firms. Who, exactly, do you think is doing the work? It's not just Americans.

In fact, there are thousands of foreign nationals working on sensitive projects in the United States. But where does their loyalty lie? To the U.S., or to their home countries, where their families are often waiting for them to return?

Beyond security concerns, this drain of tech work to foreigners directly impacts American competitiveness. We have long relied on our ability to out-engineer other nations. But if the design and innovation jobs are outsourced, there will be far less reason for students in America to learn these skills and far less Americans providing the creative juice that has long fueled American economic growth.

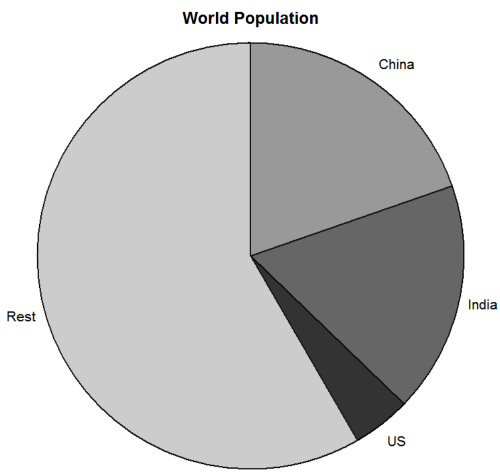
Make no mistake: each and every one of us is competing with people across the world for our jobs and our income. You may not be a programmer trying to explain why you should be paid $120,000 (or even $60,000) when an equally competent Indian is willing to work for $6,000, but nearly everyone in America will feel the impact as spending power moves offshore.

After all, if a U.S. programmer is out of work, he's not going to buy all the stuff middle-class Americans buy. And, given that his Indian counterpart makes 10% of what the American would make, the Indian software developer is also not going to be able to make all the discretionary purchases that the American would have made. Each U.S. job shifted overseas has a ripple effect on America's overall economy. And there are a lot of people available to do those jobs. Billions, in fact...

CHAPTER 6

Jobs and population

The issues of jobs and population are inextricably linked. If you want to know about jobs, you need to think about population. Strangely enough, very little work has been done on the macro issues of jobs and population. Here's the key fact: China has 1.3 *billion* people, India has 1.2 *billion* people, and the United States has a mere 302 *million* people.



In other words, together China and India have about 8 1/2 times the number of people as the United States, and, according to the Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, they make up almost 40% of the world's total population.

This detail becomes particularly important when we explore the question of outsourcing.

With all those people, China and India can absorb a virtually unlimited number of outsourced U.S. jobs. After all, according the Bureau of Labor Statistics, only about 154 million adult Americans work, 10 million are unemployed, and about 80 million are considered to not be in the labor force for one reason or another.

Put another way, China and India can absorb our entire labor force demand 10 to 20 times over.

That effectively blunts the various assertions pundits have made that there aren't enough qualified people in those countries to do our jobs. The fact is, if even a fraction of their people are qualified to do the work we do here in America, that's more than enough to do every job we would possibly need done here in America.

More people in China and India are starving than the U.S. has people.

Today, America's Gross Domestic Product is about twice that of China and four times that of India. In other words, we output more goods and sell more stuff. But that's going to change.

Show me the numbers

Fair warning: this chapter is going to have a lot of numbers. Those numbers that tell a very scary story. I'm going to ask you to read along with me and think about the numbers I'm presenting.

These numbers represent the very heart, the very core of the challenge facing us as a nation. Honestly, before I started running the numbers, building the computer models, and seeing the results, I had no idea just how overwhelming a challenge we're facing here in America.

So, if we're going to make a change, or even if we just want to understand why tectonic change is happening, we all need to understand the numbers. I promise it'll be an interesting and wild ride. Strap in and hang on. Plus, I talk about farts. Seriously. I do.

The "middle-classing" of developing nations

Think about it. We all want a good life. So do workers in China and India. If you recall from a previous chapter, almost five times as many Chinese and Indian citizens live on less than $2 a day than there are people living in the United States. Like those of us in the U.S., individuals in China and India (and other developing nations) want a better life and, like every individual on the planet, they deserve to have the best life they can.

So, when you hear that Indian and Chinese workers are hungry for jobs, they are. Literally.

Most workers in China and India want and need to increase their standard of living. Unlike what they lived through for much of their lives, their governments now recognize that having a strong middle class is a strategic national advantage — and quite possibly the only way to stop the slide into economic doom they were facing just a few decades ago.

In 1970, nearly 50% of China's billions didn't have enough food to eat. While that number has improved to a "mere" 12%, according to the Food and Agriculture Organization of the United Nations, that still means that 162 million Chinese citizens are dangerously undernourished.

Today, 20% of India's citizens are undernourished, as compared to almost 40% in 1970. Right now, there are 242 million Indians below "a minimum dietary energy requirement for maintaining a healthy life and carrying out light physical activity."

The U.S., like most of Europe, has less than 2.5% if its people going hungry. Think about it: more people in China and India are starving than the U.S. has people. So, when you hear that Indian and Chinese workers are hungry for jobs, they are. Literally.

And that's why the Chinese and Indian governments are educating as many people as they can afford to, building factories, seeking foreign investment, and doing everything they can to get their people into what is becoming an actual middle class workforce.

Too many people for the planet

As more and more workers in countries like China and India aggressively enter what we'd consider the middle class, availability of scarce resources like energy and even food may become a problem for all of us.

China and India are doing everything they can to move their populations into the middle class, so their populations reflect more of the relative economic strength evident in America and Europe. In exploring the relationship between jobs, "middle-classing" of developing nations, and population, I was curious what the world would look like if a newly "middle-classed" China and India consumed resources like America and Europe.

Energy consumption

I decided to take my computer science degree out for a spin and build an economic model. I based the first phase of the model on energy consumption, because energy is a finite resource. Courtesy of the International Energy Agency, I learned that about 13 billion tons of oil equivalent (oil and other resources that make energy) is consumed worldwide.

Today, the United States consumes about 2.3 billion tons of that, or about 18.3% of the world's total supply.

China consumes slightly more than we do, at about 2.6 billion tons of go-juice. What makes China particularly interesting is that they're consuming more and more each year. While our demand increases only 0.34% annually, China's demand is increasing at 8.68%. Even the rate of increase is increasing. Back in 2000, China's demand only increased by 2.46%.

China and India alone would use almost 1.5 times the world's energy supply.

So they're using more and more energy and the rate of their use is increasing more and more each year.

India's usage is also measurable, but nothing like that of China. India consumes only about 626 million tons of oil equivalent. Their rate of increase is 4.8% and has been relatively steady since the late 1990s.

But while America's demand for power is growing at less than 1% per year, China's demand is growing at 8.68% and India's at 4.8%. It seems clear that China's and India's need for the world's scarce energy resources will become increasingly extreme.

Here's where my model made me realize this ain't our Daddies' planet anymore. Today, the U.S. consumes 18.3% of the world's total energy resources — but we have only 4.6% of the world's population.

What if China and India consumed energy at the rate we do?

On a per capita basis, every man, woman, and child in the United States consumes about 7.5 tons of energy per year.

What if, as more and more Chinese and Indian citizens enter the middle class, they consume energy at the same rate as we do, here in the U.S.?

If everyone in China used energy at the same rate we do here, China would consume 10.1 billion tons of oil equivalent per year, or 78% of the world's total output. And if every one of India's 1.2 billion people used energy at the same rate we do here, they'd consume an additional 9.1 billion tons of oil equivalent, or 70% of the world's total supply.

Are you seeing it? Took me a few minutes to really grasp the implications. Here it comes...

This isn't politics or even ideology. This is simple math.

If citizens in China and citizens in India were to live like citizens in America (and they want to, they want to *oh-so-very much),* China and India alone would use almost 1.5 times the world's energy supply.

They'd use it up and then use it up half again. And that's not counting the energy used by America, Europe, or the rest of the world.

Put simply, something's gotta change. If developing countries reach a point where their citizens are well-fed and happily productive, Earth is going to run out of energy. It's not fair, though, to hold back huge masses of humanity simply because we Americans want to power yet another TiVo. Instead, we're going to have to find ways to generate more energy, become more energy efficient, and become less of a drain on the planet.

This isn't politics or even ideology. This is simple math.

Grain consumption

Next up was a look at grain consumption. Grain has always been an indicator of even the most basic of civilization, so a look at how the middle-classing of developing countries would affect the food supply based on grain usage seemed appropriate.

This time, I used data from the Economic Research Service of the United States Department of Agriculture Production. Worldwide, humans consume about 1.9 billion metric tons of grain each year.

Today, the United States consumes about 287 million metric tons of grain, or about 14.8% of the world's total supply.

China consumes slightly more than we do, at about 406 million metric tons of grain, or about 21% of the world's supply.

India has a lot of starving people, and that shows in its grain use. India consumes only about 196 million metric tons of grain, about 10% of the world total. You can see India's ups and downs written in the numbers. Some years, like 1993, their grain consumption went up 5.6%. But other years, like 2001, their grain consumption dropped by 4.3%. Neither of these are big fluctuations, but it does show some years Indian citizens ate a little more and other years, they ate a little less.

Today, the U.S. consumes 14.8% of the world's grain supply, but has only 4.6% of the world's population. In this case, though, the U.S. produces more grain than virtually any other country. The United States produces 364 million metric tons of grain cereal per year.

Only China produces more, at 426 million metric tons. India is in third place, producing 233 million metric tons. Most other countries produce only about 10% of the big three's average output.

All that brought me back to the same question I asked about energy. What if China and India consumed grain at the rate we do?

On a per capita basis, every man, woman, and child in the United States consumes almost a metric ton of grain each year.

That gives humanity a lot of room to grow.

What if more and more Chinese and Indian citizens enter the middle class, and what if they consume grain at the same rate as we do here in the U.S.?

If everyone in China consumed grain at the same rate we do here, China would consume 1.16 *billion* metric tons of grain per year, or 60% of the world's total output. And if every one of India's 1.2 billion people were able to not only have enough food to be above the starvation level, but consume grain at the same rate we do here, they'd consume an additional 1 *billion* metric tons of grain, or 52% of the world's total supply.

Once again, the implications are profound.

If citizens in China and citizens in India were to live like citizens in America, China and India alone would consume 112% of the world's grain supply — and that doesn't count the food needs of everyone else on the planet.

There is one key difference between grain and energy. Grain is a constantly renewable resource. Energy, generally, is not. One strategy for coping with more people worldwide leaving behind starvation is to improve our farming output and to keep improving it, year after year.

And here's one of the first places where there's genuinely good news. Most countries are only using a bare fraction of their available agricultural land. The United States, for example — one of the world's top producers — is using only 5.5% of it's available agricultural land.

According to the Food and Agriculture Organization of the United Nations, only 5.6% of the world's arable and permanent cropland and permanent pasture is under irrigation. That gives humanity a lot of room to grow.

Mother Earth actually has the capacity to feed her people, even the billions that live on her now. As more and more people need to be fed, more and more people can be put to work farming, planting, and engineering new food management solutions.

This is one area were humanity's increased consumption can lead to feeding more people and increasing employment. Let's keep that in mind as we explore how to save jobs.

Meat consumption

Different cultures consume meat with a differing level of gusto, but meat production is so resource intensive, it's still worth a detailed look. The results are staggering.

By 2002, China was already consuming nearly twice the meat (measured in metric tons) as the United States. They chowed down on 67.7 million metric tons, while the U.S. gobbled a comparatively dainty 36.3 million metric tons of carnivorous joy. India, a nation less culturally attuned to meat (and particularly beef consumption) weighed in with smaller numbers, consuming only 5.4 million metric tons.

But what if China consumed as much meat, per capita, as Americans do? China, alone, would consume 63% of the world's meat supply (or about 166.7 million metric tons). And, of course, raising animals requires feed, energy, and water. And, well, animals fart.

According to the Web site Ask the Meatman (a must-visit), the typical cow yields about 715 pounds of beef. Assuming all of China's meat consumption was beef (it's not, but for our purposes, it'll give a good enough view on the issue), the Chinese population today would consume about 331 million cows per year. If they consumed beef at America's level, they'd be porking up on 514 million cows.

Within 10 years, China's cows alone will be consuming one seventh of the world's oil production.

I like to provide the most conservative, and therefore the least controversial figures. When looking for the most conservative resource consumption numbers for beef, who better to ask than the Cattlemen's Beef Board and National Cattlemen's Beef Association?

According to these beef advocacy groups, a typical 1,250 pound steer causes the consumption of 13.83 gallons of oil in its 4 year life, or about 3.45 gallons a year. About 2.6 pounds of grain and 435 gallons of water are required to produce a pound of beef. Other organizations claim cow production consumes a much greater resource load, but I'll use what we know must be a bare minimum figure, because the Beef Board is promoting it.

Finally, let's add the fun flatulence component to our mathematical model. Yes, ladies and gentlemen, I've computed fart figures. According to data derived from a study by the Space Applications Centre in Ahmedabad in western

India, who published a pan-India livestock methane-emission inventory that was reported in the April 11, 2009 issue of *Time Magazine,* each cow puts out about 53 pounds of greenhouse gas per year.

If you put all those numbers together, just how much of a resource impact is China's growing meat consumption?

As China moves more and more employees into the middle class, their meat consumption will increase. If they were to match America's 2009 per capita meat consumption rate, here's an array of startling numbers:

- China's cows would require 1.8 billion gallons of oil.
- China's cows would require 955 billion pounds of grain.
- China's cows would require 160 *trillion* gallons of water (enough water to float 76,146 U.S. Navy destroyers), and
- China's cows would break wind with 27 billion pounds (12.36 million metric tons) of greenhouse gases.

China is increasing its meat consumption at an average of 6.83% per year. Even if we didn't adjust for the middle-classing of its population and used actual 2009 numbers, by 2020, China will be consuming 223 million metric tons of meat, more than four times that of the United States. So what does that mean for 2020 consumption? Here goes:

- China's cows in 2020 would require 2.4 billion gallons of oil.
- China's cows in 2020 would require 1.2 *trillion* pounds of grain.
- China's cows in 2020 would require 214 *trillion* gallons of water (or just about enough water to fill Lake Erie, Lake Tahoe, and the Dead Sea).
- China's cows in 2020 would exhaust 17 million metric *tons* of greenhouse gases

Earlier, I talked about the need to change our approach to population simply because the math tells us we must. These numbers reinforce that picture. Within 10 years, China's cows alone will be consuming one seventh of the world's oil production.

And that doesn't count India. While India doesn't consume as much meat, the country has more cows than any other country on the planet. You do the math.

American labor force

So far, we've talked about China's and India's population, but now let's look specifically at the American labor force. The Bureau of Labor Statistics defines a number that represents the civilian, non-institutional population as those individuals, 16 years old and older, who are not institutionalized (mental health facility, hospital, prison, etc).

This *civilian, non-institutional population* number is key, because it reflects the number of people in America who need jobs. Obviously, not all working-age Americans will be part of the workforce. Some are house partners. Some are wealthy enough to simply enjoy life. Others live at home with Mommy and Daddy and are enjoying the slacker lifestyle for as long as they can get away with it. And others simply can't find work.

My goal with this book is to help create an America where every person who wants a job can get one. The number of people who make up the U.S. civilian, non-institutional population number gives us the number of jobs that need to exist for everyone who wants a job to have a job.

Therefore, this number is very, very important.

If you ever want to have a partisan fight, here's a great topic: the number of jobs created during a President's administration. As you might imagine, whatever party is in power will claim success and whatever party isn't in power will claim the other guy did a terrible job.

That makes coming up with job numbers difficult, but not impossible. What we need is as impartial and unimpeachable a source as possible. Once again we return to the Bureau of Labor Statistics, which keeps track of the number of jobs created during each presidential administration. The job count isn't perfect because BLS doesn't count self-employment jobs created, but it gives you a pretty good idea of how many jobs corporate America has to create in order to meet the needs of the American people.

Don't look at this as a partisan issue. Look at this as an American issue.

So let's go back to Bill Clinton's time. In 1993, there were about 194 million Americans in the civilian, non-institutional population. By 2000, there 213 million Americans who might want work. The potential labor force population had grown by 19 million people.

Fortunately, during the Clinton's 8 years in office, the total number of jobs also grew. Jobs grew by 22.7 million, more than keeping pace with the increase in the labor force population. The total number of available jobs grew by about 2 million a year, right along with the workforce population.

Before I discuss the George W. Bush years, I need to tell you something. Here's the thing: I didn't know the official labor numbers I'm about to show you until I got them from the United States Bureau of Labor Statistics.

They're not good.

Some of you may go all paranoid and think I'm showing bad Bush numbers to be partisan. I'm not.

This is a desperately serious issue and I'm working from the most credible source out there. Don't look at this as a partisan issue. Look at this as an American issue.

The United States is seven years behind in the number of jobs it needed to keep its citizens working

America's jobs are in trouble and we all — Republican and Democrat, liberal and conservative, people who like chocolate ice cream and those who, for some unfathomable reason, like vanilla — we all need to work on this together.

OK, deep breath. Here goes.

When George W. Bush came into office in 2001, there were 215 million Americans who might want work. By the end of his administration, in 2008, the population had grown again, and there were 234 million Americans suitable for America's labor force. The number of people who might want jobs had grown by another 19 million people.

Unfortunately, 19 million jobs were not created during the Bush years. Instead, according to the Bureau of Labor Statistics, a net gain of only 2 million jobs were created. This means that during the eight years of the Bush administration, only a year's worth of new jobs were created.

And that means that by the time George W. Bush left office, the United States was seven years behind in the number of jobs it needed to keep its citizens working.

In other words, 17 million people still need work. That's a lot of people. If you add to that the ever-changing numbers from our current financial crisis, where, as of spring 2009, 7 million jobs were lost, a lot more people are going to still need work.

Here the Bureau of Labor Statistics mucks with the unemployment numbers a bit, which is subject to raging debate among the talking heads.

BLS tends to not count everyone who's unemployed. Those who are unemployed and have simply given up don't show up in BLS's estimates of the number of unemployed citizens. They call these folks "discouraged workers and others marginally attached to the labor force." Special.

As of the first quarter in 2009, the Bureau of Labor Statistics tells us there are 2.1 million of these "discouraged workers" and another 13.5 million workers who are unemployed, but, presumably, keeping a stiff upper lip.

That's 15.6 million people who need jobs. That's a lot of jobs. That's a lot of jobs we need to *create*.

America needs 20.6 million jobs pretty much immediately and the top 40 employers only employ 18.3 million people.

Let's get some perspective on how big a task that is — and remember that if the job loss rates continue, there will be millions more unemployed who need work.

Here's the detail no one is going to admit to: corporate America can't absorb 20.6 million workers in six months. It can't absorb that many in six years.

Let me elaborate. On the next page is a list of the 40 top employers in the world (not counting the U.S. government).

As you can no-doubt tell, not all of these companies are American. State Grid is Chinese, Indian Railways is obviously Indian, and so forth.

But even so, you're looking at a list of the top 40 employers worldwide. And if you add up the total number of employees across all of the top 40 employers, you get the magic number of 18.3 million.

America needs 20.6 million jobs pretty much immediately and the top 40 employers only employ 18.3 million people. The math is inescapable. It's going to be very, very hard to create that many jobs.

To create that many jobs, we'd have to create the equivalent of Wal-Mart, the U.S. Postal Service, UPS, McDonalds, Hitachi, IBM, Siemens, Citigroup, Target, Sears, Volkswagen, GE, Kroger, Toyota, Matsushita, Home Depot, Nestle, General Motors, and a whole lot more, all in the space of months or even a few years.

In an economic environment where GM and Chrysler declared bankruptcy, and America is laying off more people every month than work for McDonald's worldwide, we've got us a very serious problem.

Bottom line: corporate America, as it's been run for the past 100 years, can't provide enough jobs for Americans who need them.

Most of these enterprises are decades old and are unique in all the world. There's just no way we can, for example, clone McDonalds overnight and fill the clone with jobs. There's just no way we can create another Wal-Mart in a week, and fill it with employees. There's just no way we can recreate General

Electric in a month, and fill the second GE with out-of-work Americans.

And, since we add 2 million more people to the labor force each year, we not only need to get our currently unemployed workers jobs, we need to account for the fact that there are more and more Americans each year who need employment.

We're going to have to start thinking outside the box.

Controlling population

There's no doubt that as we move through the next few decades, the planet simply won't be able to support as many people as will be born. In America, alone, we need to create 2 million more jobs every year, simply to keep up with the population.

1	Wal-Mart	2,055,000
2	State Grid	1,486,000
3	Indian Railways	1,406,430
4	China National Petroleum	1,117,345
5	U.S. Postal Service	785,929
6	Sinopec	634,011
7	Carrefour	490,042
8	Deutsche Post	502,545
9	Agricultural Bank of China	478,895
10	Gazprom	396,571
11	United Parcel Service	407,000
12	China Telecommunications	407,982
13	McDonald's	447,000
14	Hitachi	355,879
15	International Business Machines	329,373
16	Siemens	461,000
17	Indus. & Commercial Bank of China	361,623
18	Citigroup	303,000
19	Target Corporation	338,000
20	Compass Group	410,074
21	Tesco	273,024
22	Sodexo	324,446
23	Sears Holdings	355,000
24	Volkswagen	344,902
25	General Electric	316,000
26	Kroger	290,000
27	HSBC Holdings	284,000
28	Veolia Environnement	271,153
29	Toyota Motor	285,977
32	Matsushita Electric Industrial	334,402
33	La Poste	303,405
34	China Construction Bank	300,288
35	Home Depot	289,800
36	Nestlé	250,000
37	Daimler	382,724
39	China Railway Group	280,581
40	General Motors	335,000

SOURCE: 2008 Fortune Global 500

The problem of supporting a growing population becomes doubly true of hugely populous countries like China and India, pursuing their goals to middle-class the bulk of their population. As we've seen, China and India alone will need to consume more than 50% more energy than actually exists in the entire world.

Like issues relating to climate, population is really a world-wide issue and somehow needs to be addressed across national boundaries.

There are a variety of approaches that can be taken. These include scientific advances in generating new sources of fuel and renewable energy so our growing population doesn't run out of power.

But, without a doubt, the planet needs to produce less people. No one likes the idea of government-imposed population control, and yet this is what China has been attempting since the late 1970s, with less than positive results.

In 1979, China instituted the *jìhuà shēngyù zhèngcè,* unofficially known as the one-child policy. The policy restricts the number of children couples can give birth to and raise. While China claims that the program, in its first 30 years, has prevented as many births as there are people in the United States, the program is not without its serious problems.

Chinese parents who ignore the one-child policy are subject to enormous fines and heavy-handed government prosecution. As you might imagine, the rate of abortion and infanticide is off-the-charts, in part because prospective parents are often faced with no other choice than to terminate the pregnancy. Parents who do actually go through with giving birth are often required to "dispose" of the newly born baby, according to testimony by Gao Xiao Duan (a former Chinese population control administrator) to what was then the U.S. House of Representatives Committee on International Relations human rights subcommittee in 1998.

A disturbing culture of kidnapping and black-market selling has grown out of the one-child policy. Gender roles are still strong through much of Chinese culture and some families value having a boy far more than having a girl. This has resulted in a reduction in female children and, as Nobel Prize–

winning economist Amartya Sen described, more than 100 million women are "missing" from what would have been a normal population — through abortion, infanticide, or starvation as a result of poor nutrition.

Religious leaders make up the single most effective values-message distribution channel on the planet.

Depending on how coldly you measure it, China's one-child policy has either been a measured success or a horrible, gruesome failure. In a country overwhelmed by population, preventing hundreds of millions of births may well have helped China manage scarce resources with more effectiveness.

But, the cost in terms of simply life itself is hard to ignore. Children being kidnapped, never to be seen again by their parents, infants being put to death, families forced to starve in order to pay the fines required to keep a beloved child — all of these are chilling effects that no one wants to see in a civilized world.

The paradox, of course, is that if we don't curb our rampant population growth, the planet will not be able to support us.

This is where religious leaders can help in a way no enforced government policy like the *jìhuà shēngyù zhèngcè* can. Religious leaders have a reach and an influence far beyond that of most political entities. Religious leaders teach values and provide guidance to their congregations.

While about 15% of the world's population doesn't practice a religion, nearly 85% do. Christianity and Islam, of course, make up more than 50% of the world's religious practitioners. Buddhism and Hinduism make up the vast majority of the remaining devout throughout the world.

Many of the world's religions rely on ancient texts to provide guidance for a modern world. While believers contend that these sacred texts reflect the philosophy of their respective divine beings, these books also represent field guides to life in ancient times, a look into society as it was millennia ago.

Many believe their holy books to reflect the word of the sacred, but there's no doubt each of these books also served as an instruction manual for those living in a far bygone era. While many of the instructions presented in these good books are timeless, some lessons are far more reflective of the time they were written than of modern times.

Moses is believed to have lived about 1,200 B.C. Both Gautama Buddha and Confucius are believed to have lived about 550-560 B.C. Jesus is believed to have lived about 2,000 years ago and Muhammad is believed to have lived in the 7th century.

According to some academic aggregation work done by the U.S. Census Bureau, the world's population in Moses' time was only about 50 million people. That's 10 million less than the population of modern Italy, alone.

During the time of Buddha and Confucius, the world population had doubled, to about 100 million. You could fit everyone in the ancient world into less than the number of people who currently live in Mexico.

By the third century, much of what is in the modern Christian Bible had codified. The worldwide population back then was about 190 million people. Even as late as the time of Muhammad in the 7th century, the population was only about 200 million people.

Today, we have more than 30 times the population than they had back then. When the religious texts were written, they reflected a world with a mere fraction of the population, resource usage, and complexity we have today.

For our population to decline to a level more in keeping with available resources, people the world over have to *actively decide* to have less children. Families with more than two children (zero population growth) need to be strongly discouraged, and families with one or even no children need to be encouraged through both economic policy (i.e., tax incentives) and values-based education.

In today's world, most couples are still encouraged by family, friends, church, and even the tax code to have kids. But the planet can't sustain it — and neither can the American job market.

To survive, we must not just reduce population growth, we must reduce our population. China, who has been dealing with the effects of an insanely huge population for decades, understands the problem, but took steps that will ultimately hurt its citizenry.

If our population continues to grow, and if more and more of our jobs move to cheaper workforces the world over, and if we continue to consume non-renewable resources, eventually even Western countries will be forced to take some action with population. The alternative, which is also a possibility considering the spinelessness of most of politicians, is to hide from the issue and let the country simply slide out of its preeminent place on the world stage.

On the other hand, if we can start enacting positive population-reduction policies (say, tax incentives for child-free families rather than tax incentives to have more and more kids) and if we can inculcate a new set of values into couples, one where having lots of kids is discouraged rather than celebrated, we have a much better chance of building a stronger nation in the long run.

Reaching nearly 85% of the world's population, religious leaders make up the single most effective values-message distribution channel on the planet. We're living in a far different world than the ancients were, and our religious leaders might, in fact, be the only leadership group able to take point on the critical issue of planet-killing over-population. We need our religious leaders to step up, to think through doctrine from both modern *and* historical perspectives, and encourage couples to have less children.

We need our religious leaders to preach a doctrine of fewer children, to help couples (and their families) learn that fewer children isn't something to be ashamed of, but something celebrated for its contribution to the greater good and glory of their creator.

Otherwise, our grandchildren will have *jìhuà shēngyù zhèngcè* to look forward to. Either that, or they'll have the starvation and the strife that comes from a resource poor and hungry populace.

* * *

And now, let's jump from the serious issues of over-population and resource consumption back to the Internet, and ask if it could possibly be all the Internet's fault?

There is a connection between these two topics. But you'll have to read the next chapter to find out what it is.

CHAPTER 7

Is it all the Internet's fault?

Despite the irrational exuberance of the dot-com bubble, the Internet is here to stay. But it's a different Internet than that of the late 1990s and early 21st century. Today's Internet is driven by its users.

The rise of the Internet, blogging and social networking, outsourcing and the rise of a middle-class in China and India, instant global collaboration, the financial crash, the dot-com boom and bust, the pace of business, acceptance of working from home, increased costs and problems with insurance, disintermediation of distribution and information flow, rise of global aggregators of goods and information like Amazon, eBay, and Google, the rise of the free economy, and the events of 9/11 have all contributed to the world we work in today.

Jobs designed for cheap labor

It is an irrefutable fact of life that China and India want to join the fully-developed nations club. Years of unrest have convinced previously intractable regimes that the only way out of their tough times was to become modern nations standing on equal footing with the rest of us.

But it is the sheer enormity of their populations that are both their competitive advantage and a problem for everyone in the world. It's a competitive advantage because they can underprice those of us living in more advanced societies, at least for a while.

In fact, those countries host jobs that would never fly here in the United States. In India and China, it's often cheaper to use a person to do the work than invent technology to solve the problem. To make things interesting, I'll give you two examples where vast armies of human workers are being used to solve shady — but very lucrative — high-technology problems.

CAPTCHA solver

There is a job in India called a "CAPTCHA solver". This is going to take some explaining, but it'll be interesting.

The term CAPTCHA means "Completely Automated Public Turing test to tell Computers and Humans Apart" and was dreamed up at Carnegie Mellon University to solve a particularly sticky Internet problem: spammers.

Spammers like to send millions of email messages to users, and post millions of comments to online sites. Because it costs virtually nothing to do all this outbound communication, even a very small fractional response rate by Internet users can net the spammer a considerable profit.

But in recent years, computer administrators have become wise to the ways of spammers. When posting on a discussion board about career building skills, nobody wants to see 50 posts about Viagra, bodily improvement methods, or any of the other topics that seem to suck in a sucker every minute.

Spammers are shadowy figures who know that a few million annoyance posts can translate into a few thousand dollars of real money. These not-quite-criminals want to post those messages.

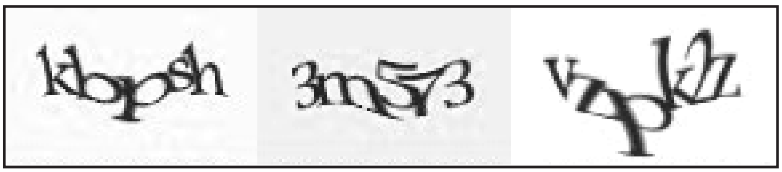
Thus was born the arms race between the spammers on one side and the network and Web site operators on the other side.

First, spammers figured out how to teach a computer program to act like a human Web user, inserting information into Web forms, and posting it on discussion boards, blog comment areas, free email accounts, and so forth.

They could crank up a program running on a computer in, say, Bangalore, and let it run day and night, spamming until the money started to pour in.

The researchers at Carnegie Mellon figured that one way to stop the spammers would be to require a human to log in. But how do you *require* a human to log in? You present a problem that only a human can solve.

And that's why, when you visit most Web forums or want to leave a comment, or sign up for a free email account, you now have to figure out a series of squiggly, multi-colored letters and numbers called CAPTCHAs that we've all come to know and love:



The Carnegie Mellon geeks were onto something. It's almost impossible to write a computer program that can figure out the wide range of different CAPTCHAs employed across the Web.

Almost.

Industrious spammers have embarked on two courses of action. The first is a virtual Manhattan Project for CAPTCHA breaking. Using rogue programmers across the world, spammers are teaming up to try to build a software system to crack CAPTCHAs. They're getting close, but so far, the Web site operators have been able to change up the game and keep the spammers at bay.

If artificial intelligence can't crack the CAPTCHA, what about real, human intelligence? That's where the incredibly low wages of India and China come into play.

India has a booming CAPTCHA-solving economy. According to an article by Dancho Danchev on ZDNet (a Web site devoted to the needs of information technology professionals) "an army" of Indian workers earn $1-2 for solving a thousand CAPTCHAs.

In America, many of us are so busy we pay Chinese workers to play our games for us.

According to Danchev, Indian CAPTCHA solving companies are promising to deliver 250,000 solved CAPTCHAs every day, at the $2 per thousand rate. Danchev says that there are franchises working throughout India, using software tools to connect to spamming systems, fronted by nearly a thousand Bangladesh-based workers "actively soliciting deals to break Craigslist, Gmail, Yahoo, MySpace, YouTube, and Facebook's CAPTCHA protection."

This is not a small business. He identified advertisers claiming teams of 20-300 people, with promises of solving 800 CAPTCHAs per hour. One Indian advertiser described a particularly sophisticated service:

> *Our CAPTCHA system is very complex and complicated. It is built to process up to one million captchas per day. India CAPTCHA breakers.*
>
> *We have several big teams and hundreds of active agents solving CAPTCHAs, all at one time, especially during daytime in India.*

> *The backend of this project involves over 45 powerful, expensive servers communicating with the MySpace site to pull the CAPTCHAs and then queue them up on this site, and then process the results to push back to MySpace all within 20 seconds per CAPTCHA.*

So how much can an Indian worker make by helping spammers break into American computer systems? A typical worker, working a 10-hour day, can solve 8,000 CAPTCHAs. At $1.50 per thousand, she can bring home a whopping $12/day. If she works every day, she can bring home almost $360 each month, or $4,320 per year. And that would put her solidly in India's middle class.

If solving 2,880,000 CAPTCHAs in a year means she earns 8 times what the average Indian earns, there's no question. CAPTCHAs are going to be solved.

Virtual gold farmer

In America, many of us are so busy we pay Chinese workers to play our games for us. No, really, it's true. I couldn't make this stuff up if I tried.

Many Americans (and people worldwide) play Massively Multiplayer Online Roleplaying Games (or MMOs, for short). The most famous of these is World of Warcraft, but there are many such games.

If you haven't played this kind of computer game, you're in for a treat. World of Warcraft (WoW) and its kin are special experiences and examples of computer and networking technology pushed to an almost insane limit. In WoW, for example, the game's creators have created a rich, virtual fantasy world, complete with castles, kings, monsters, caves, flying blimps, underwater caverns, and so much more.

Of course, what really makes these games stand out is the people. The reason they're called "massively multiplayer" is because the virtual worlds are inhabited by thousands upon thousands of real people, who can play with or against each other.

Part of the motivation to play is loot, the spoils of virtual war. When a group of players team up to fight a battle, they'll often come home with some in-game gold or a virtual weapon they've liberated off a fantasy foe. They can then spend that gold at vendors to get better gear, perhaps a tougher sword or more protective armor, or a faster horse to ride around the vast in-game spaces.

There's a lot of money being made from Americans so busy they have to outsource their fun.

And here's where the virtual world meets the real world, for there is a linkage between the in-game economy of digital gold and the real-world economy of dollars and cents.

Some players are willing to play for as long as it takes to earn enough in-game gold to buy that sweet epic helmet or that super-fast flying mount. Other players are not. For a typical player to reach level 60 in the game (the first of three major plateaus in WoW), it can take more than 20 real-world days of game play (the equivalent of about four, 40-hour work weeks).

For some people, including some of my best friends, all that time in the game makes for a great gaming experience. I have one buddy who comes home from work and just as soon as he can, he and his wife (yes, this is often a family affair) sit down in front of their computers and play WoW all night. He can easily clock in 28-40 actual hours in front of his computer each week, playing World of Warcraft.

Other people don't need a second full-time job or can't take the time. For those people, a shortcut might be necessary. They might not want to spend three or four months of nightly "grinding" to raise 5,000 in-game gold pieces, the price of an epic flying transport. Rather than playing the game for hundreds of hours to earn their in-game gold, many busy Americans would rather pay $48.84 for 5,000 pieces of in-game gold.

Therein begins our story of the Chinese gold farmers.

If you do the math, you'll realize the exchange rate for one in-game gold piece is about one real penny to one virtual gold piece. Now, to mix metaphors, we have a ball game.

In fact, we have an economic exchange rate that's not all that different from other currency exchanges. As I write this, a U.S. dollar is worth about 96.44 Japanese yen, which makes the World of Warcraft virtual gold piece slightly more valuable than the real-world Japanese yen.

According to Richard Heeks of the Virtual Economy Research Network, there are somewhere between 400,000 and a million people in China working for virtual gold farm brokerages. With a typical sale of around $25, there have been reports of single purchases as high as $3,000.

According to Nick Ryan of the EuroGamer MMO Web site, the gold farming business is worth nearly $10 billion annually, although if you use the numbers Heeks provides, it looks more like $100 million. No matter where the decimal place is, that's still a lot of money being made from Americans so busy they have to outsource their fun.

As Heeks tells it, a typical gold farm worker earns about $140 per month, working about ten hours a day, and with food and living space provided. That's about 46 cents an hour. Chinese workers consider gold farming a very good gig since it pays about twice the average wage in China. Most of these workers would much rather farm virtual gold sitting in front of a computer screen than hunch over in the real sun, dig in the real dirt, and work on a real farm.

If, for the convenience of this discussion, you assume the brokerage house (the company selling the gold) splits the take with the worker, then $24.42 goes to the worker to farm 5,000 gold pieces. At $0.46/hour, that means our Chinese gold farmer is putting in 53 hours on behalf of our over-worked American gamer and his epic flying mount.

Like CAPTCHA solving, gold farming is a shady business. By having low-wage workers “farming” the virtual world for gold, the in-game economy can be upset. The increase in the money supply often causes the rates players charge and receive for in-game goods to go up, so we’re seeing a sort of virtual inflation as a result of the gold farming.

Most companies who produce the games themselves appear outwardly to actively discourage gold farming, although there’s evidence that they profit mightily from it as well.

Ryan estimates that 70% of all gold farming is conducted on behalf of World of Warcraft players. Each gold farmer needs to own a copy of the game (about $50.00, not counting expansion packs) and pay a monthly fee ($12.99 at the lowest rate). That means each gold farmer (or, usually, his brokerage) has to spend around $200 a year for access to the game.

Blizzard Entertainment, the $1.1 billion subsidiary of $5 billion gaming giant Activision Blizzard makes and manages the World of Warcraft franchise. The company regularly scans for gold farming behavior patterns among users, and cancels accounts for those who infringe, which means gold farmers often have to buy new $50 copies of the game.

If we take Heeks' lowest figure of 400,000 gold farmers, assume 70% of them are farming WoW, we get about 280,000 people. If their brokerage spends $200 on each farmer, Blizzard nets almost $56 million per year solely on the income from gold farming.

With 5% of the subsidiary's gross income coming in from gold farmers, it's hard to take the company seriously when they claim they're trying to eradicate the problem. But by claiming they're fighting farming and by making gold farming a violation of their terms of service, Blizzard can cancel gold farming accounts at any time, forcing gold farmers to re-buy their games.

Although the company claims to actively fight gold farming, $56 million isn't exactly chump change and their dedication to the fight seems largely limited to cancelling accounts and selling new copies of the game back to the farmers in China.

Competing where it hurts

As I wrote this book, I posted what I called "chapter notes" on Twitter. These were 140 character teasers about some of the facts and figures from the book. At one point, I "tweeted" about how American companies can hire Indian programmers for a tenth of what American programmers are paid.

Aside: I'm still not convinced you can retain your manhood and say you "tweeted" at the same time, but that's another story.

In any case, one of my Twitter followers (Twits?), an American programmer, tweeted back, "Globalization isn't hard. The one $30/hr local programmer can outperform 10 $3/hr remote ones. You need him anyway."

The prevailing wisdom (or at least wishful thinking) has always been that while American companies can hire foreign workers, those workers won't compare in quality of work, creativity, and design skill to those workers here in America.

Then there's ZOHO.

ZOHO is an Indian company competing directly against Google for Internet-based applications and against a darling of the dot-com era, a company called Salesforce.com for CRM software.

CRM stands for Customer Relationship Management and is super-charged contact management software designed to help sales people and those who need to maintain relationships keep track of the sales process. It manages lists of contacts, companies, and leads, and links them to both opportunities (deals you're working and need to follow-up with) and tasks. Most good CRM software offers email templates for sales contacts, very good contact slicing and dicing to select only contacts that meet certain criteria, and a lot more.

Modern CRM software is deep, complex, and very key to bottom-line business operations. And most CRM software available from software vendors in the U.S. and elsewhere is *crap*.

I've never really figured out why CRM software is so universally bad. It's probably a combination of the tedium required to enter all that information, the type of people who use it (sales people are not good with tedium), and the fact that every business has a different business process and data.

No matter. CRM software is hard to make right. But one company that did make it right was Salesforce.com. They don't sell the software. They sell access to the software on a monthly basis. Based out of Silicon Valley and formed by former Oracle executives, Salesforce is one of the dot-coms that actually did well. They're a billion dollar company and they're actually making a profit.

I have used just about every CRM program ever made, which is why I can authoritatively tell you how crappy most of them are. I have the battle scars to prove it. When my last CRM software program (made by an American company in Silicon Valley) totally barfed after a required upgrade (yeah, thanks, that was a week lost that I'll never get back).

For the record, it barfed very badly running *their* code and even though *they* caused the problem and it was *their* fault, they refused to provide any support or help whatsoever. I did get it working again (I'm a good geek, after all), but I immediately looked for a replacement solution.

I looked at Salesforce, but although their sales team called me on a daily basis for almost a year after I made my first inquiry, I could never get a straight answer on how much it'd cost to use. Different sales people quoted me numbers ranging from $60 per person, per month to $450 per person, per month. In other words, it's somewhat expensive.

Then I ran across ZOHO in my research. For three users, ZOHO is free, and for each additional user, ZOHO charges $12 a month. That's a fifth the cost of the least expensive quote I got from Salesforce. Not counting the free part.

ZOHO is an Indian company. They employ more than 600 programmers in Chennai and another eight people in Silicon Valley. Founded by Sridhar Vembu, the company has pretty much bootstrapped its way into existence.

A blogger named Sramana Mitra interviewed Sridhar, where he described a particularly interesting strategy for building his programming team:

> *We hire young professionals whom others disregard. We don't look at colleges, degrees or grades. Not everyone in India comes from a socio-economic background to get the opportunity to go to a top ranking engineering school, but many are really smart regardless.*
>
> *We even go to poor high-schools, and hire those kids who are bright, but are not going to college due to pressure to start making money right away. They need to support their families. We train them, and in 9 months, they produce at the level of college grads.*
>
> *Their resumes are not as marketable, but I tell you, these kids can code just as well as the rest. Often, better.*

In a country where programmers earn a tenth of what we do here, this Indian entrepreneur has been able to find even less expensive programmers. Based on some of the information I've read about ZOHO, it looks like they employ about 600 programmers for about the same budget as we, in America, would need in order to employ 15-20.

The thing is, the software is *good*. Really, really good. Shockingly good. It's well designed and it works. Plus, the company actually provides technical support.

Before we bought the monthly package, we used the free version. At one point, I had a question about how the program worked. I sent an email and got a clear, polite, and complete answer the next day. Try that with Google.

I also reported a bug I'd found. Within a week, it'd been fixed. I also received a polite personal email back from someone I presume was in Chennai, asking if I was satisfied with the result. Have you ever experienced that with any American Internet company? Nope. Me neither (although I do seem to get an endless supply of impersonal customer service surveys and form letters).

ZOHO has convinced me that we Americans have serious competition. Not all Indian companies will be as well-run as ZOHO, just as not all American companies are Google. ZOHO has managed to build not just one product competing against one American company, but a series of products that directly compete against many American companies.

They have a full online office clone that competes against Google's Apps and Microsoft's Office. They have an email client that competes against Google's Gmail, Yahoo Mail, Microsoft Live Hotmail, and even Microsoft Outlook.

ZOHO has a chat program that competes against WebEx and Citrix. They have a cloud SQL program that competes against Amazon's IT services business. They have an invoicing system that competes against Intuit's QuickBooks. And on and on and on.

ZOHO produced every bit of this on a budget of what it would cost an American company to hire only 15-20 programmers.

It's doubtful ZOHO will beat out Salesforce, Google, and Microsoft, but they're probably going to make a dent in each of those companies' sales. ZOHO also has smart customer-facing policies. For example, you can actually get your data from their systems in a form you can use, and take it to another provider. Almost no Web-based service in the U.S. provides that level of flexibility or gives customers an opportunity to avoid lock-in, although Google has started moving in that direction recently.

I can't tell you if we'll continue to use ZOHO for CRM, but we've been using it for about 9 months and don't have any complaints. That's astonishing for CRM software.

The fact is, the software design, programming, support, and delivery created by these recruited-from-high-school Indian workers is every bit as good as the American competition. And it's fast. Did I mention it was fast?

If ZOHO is representative of what even a portion of India's tech industry can produce, we Americans are in for some worrisome competition.

The world isn't flat

With all due respect to Thomas Friedman's excellent books, I disagree with him when he says the world is flat. If the world were flat, it would take longer to go a long distance than it would to go a short distance.

No, the world isn't flat. I could butcher the metaphor further by trying to link space warps, real projective planes, and Möbius strips into some mangling of metaphorical metaphysics, but no abuse of physics can explain globalization as well as the telephone can.

Back in olden days, when you wanted to send a message from New York to San Francisco — once there was an open route between New York and San Francisco — you had to put the message in a sack, put the sack on a guy, put the guy on a horse, and wait weeks for him to ride all the way across country. To reply, you'd have to reverse the process.

Trains made things faster. You'd put the sack on the train. Sure, you could put the guy and the horse on the train, but you really didn't need to. All you did was fill a train with messages, send it across country, and in far less time than even the fastest horse, your message would get through.

Then came the telegraph. You no longer had to even involve the train. Your message could go from Canal Street to Fisherman's Wharf in just the amount of time it took an operator to punch in the Morse Code.

Then, finally, came the telephone. You could actually talk to Mom, all the way across country, within seconds of deciding to dial the digits.

The distance covered by the horseback rider and the phone call are the same, but because the electronic circuits of the phone call's transmission erased the time of traversal, it no longer seemed to matter that New York was 3,000 miles away from San Francisco.

Let's do the time warp

The compression of space and time is what the Internet has done to the world of jobs.

I did a television news interview on a national network earlier today and I didn't even have to leave my study. I just fired up the webcam on my computer, cleaned the clutter off my desk, and put on a shirt and jacket (I left my pajama bottoms on). Suddenly, I was transported from Florida to New York City — and I didn't have to board a plane.

In the 1980s, the concept of a virtual corporation was considered quaint. Snobby corporate types mocked the idea, implying a "virtual corporation" was a way of saying you were too small-potatoes to have your own office.

But now, the virtual corporation concept has been adopted with a vengeance by today's largest corporations as a way to save tons of money on real estate, heating and cooling, land for parking, and even basic amenities.

If you have a cell phone, you can be reached anywhere. So why work in an office with hundreds of other people? If you have Twitter or any instant messaging client, you can let everyone know, minute-by-minute, exactly what you're doing — right as you're doing it.

If you have email, you can send messages instantly — and the recipient doesn't need to be there when you send them. In fact, you can send a message at 3am because you have insomnia, and your recipient can read the message at 9am when she logs into her work.

But if you can send a message at 3am and have it read by a co-worker at 9am, how big a leap is it to send a message just before you go to bed at 10pm from New York City to Delhi in India? 10pm in New York is 7:30am in India, so you can assign some work before you go to bed and it'll be done by the time you get up.

Because of the Internet, you can send a thousand page report to your co-worker across the globe in minutes. Because of the Internet, you can speak face-to-face, even in you're in San Francisco and she's in Shenzhen, China. Because of the Internet, you can move the mouse on your desktop and she can watch it on hers, in real time.

Because of the Internet, you can make a change to a document and — almost as though she was there in the room with you — she can see the change and make her own revisions, even though she's 8,050 miles away. A non-stop flight might take 14 hours or more, but Internet-based collaboration makes it feel like she's in the same room with you.

In fact, with virtual world technology like Second Life and PlayStation Home, you can appear virtually in the same space, work side-by-side together, and yet have physical bodies on opposite ends of the planet.

The world is warped

Is it any wonder, then, in a twisted world where space and time can be virtually warped at will, that the employment situation has undergone revolutionary change?

It used to be that if you wanted to employ workers on the other side of the globe, the language barrier was the least of your problems. You'd have to fly executives back and forth for even the simplest collaboration. You'd have to send documents by plane, and a review might take weeks, just because of the time it takes to cross the ocean.

But now, there is no time and distance constraint. All that's left is a small language barrier. While most Americans can't be bothered to learn Assamese, Bengali, Bodo, Dogri, Gujarati, Hindi, Kannada, Kashmiri, Konkani, Maithili, Malayalam, Manipuri, Marathi, Nepali, Oriya, Punjabi, Sanskrit, Santali, Sindhi, Tamil, Telugu, Urdu — or Mandarin or Simplified Chinese — you can bet your bottom rupee that most people in China and India are willing to learn English.

It used to be hard to employ people from China and India because their governments did their best to stay out of world affairs and insulate their citizens from the capitalistic West. Now, both countries have adopted a culture actively designed to attract international jobs and investment.

It used to be hard to employ people from China and India because they are just so far away. Getting information into or out of those countries was a huge challenge, oversight was costly, and management involved sending a manager across the world. Now, on-site oversight has been replaced by simply typing in an email address or a Web URL.

It used to be hard to employ people from China and India because it was just so difficult to build a team with people so far away. Now, with Twitter updates, virtual worlds, and collaboration technologies liked instant messaging and shared desktops, it's often less hassle to collaborate with someone across the world than it is to coordinate with the guy two cubicles away.

It used to be hard to employ people from China and India because all the challenges of time and distance made the process very expensive. Now, with almost all the time, governmental, and cultural constraints removed, and with people willing to earn a mere sliver of a fraction of what Americans need to earn, it's often mind-bogglingly less expensive to employ someone from across the world than someone from across town.

The way the Internet warps space and time is changing the way employees relate to their employers. It used to be that the holy grail of cushy employment gigs was working from home — and we know many people who work for employers as large as IBM who do work from home.

But in a tough economic world, once you prove to your employer that your work doesn't have to be done in the office, it's not all that big an intellectual leap for the finance guys to reason that *your* work doesn't even have to be done in America. Or even by *you*. After all, if your employer checks in with you by phone, fax, email, and IM from your house an hour away, why couldn't your employer check in by phone, fax, email and IM with someone who costs one tenth as much as you, but just happens to be 8,000 miles away?

The rise of the free economy

The Internet is also changing the value proposition for many businesses and none are feeling it as acutely as the publishing business, especially our nation's greatest local and regional newspapers.

Take the classified ad business, as an example. According to Allan D. Mutter of the Graduate School of Journalism at the University of California, Berkeley, classified ads "historically generated 40% of newspaper sales and more than 40% of their profits."

Prior to the Internet, of course, the only way you could take out a classified ad was to pay for space in the local newspaper. Now, millions of people are no longer paying newspapers for classified ads. Instead, they're taking out free ads on Craigslist, a Web site that offers free classified ads in all categories except job listings — where it generally charges $25 per listing in major metropolitan areas and $0 everywhere else. The company also charges a nominal fee for New York City apartment brokers, simply to stem the tide of excessive listings.

The 28 jobs created at Craigslist replaced at least 121,000 jobs in the newspaper industry.

Here in Central Florida, the big newspaper is the *Orlando Sun-Sentinel*. If I want to place a help-wanted ad for an IT guy in both the *Sentinel's* print editions and online, the ad is going to cost anywhere from $399 to $799 (depending on the features). An online-only ad, bizarrely enough, costs $419.

The *Sun-Sentinel* compares reasonably favorably with the online career sites like Monster.com and CareerBuilder, which charge $475 and $359, respectively.

So, here I am, an HR manager on a budget. I finally get approval to hire five new people. If I place an ad in the newspaper, it's going to cost anywhere from $1,995 to $3,995. On the other hand, here in Central Florida, if I place an ad on Craigslist, it'll cost me nothing ... zip, zero, nada.

As I said, Craigslist does charge more in major metropolitan areas. An ad is $25 in Boston, for example. In Boston, advertising those five jobs on Craigslist will cost $125 total, while advertising them in the *Boston Globe* will cost anywhere from $367 to $590, each — for a total of about $1,835 to $2,950.

Craigslist charges the most for job ads in San Francisco, at $75 per ad. In the Bay Area, five Craigslist job ads would cost a total of $375. Figuring out ad pricing in the Bay Area-based, Hearst-run *Chronicle* was a baffling experience, and I've been in the publishing business for decades.

The best I was able to tell after examining the rate sheet — and talking to a rep — is that *Chronicle* classified job ad rates are highly variable. After an almost hour-long conversation where the rep did his absolute darnedest to qualify me as a prospect while giving me virtually no information in return, I got the impression that the lowest rate is $589, and an ad generally runs about $1,000.

The rep, who would only identify himself as "John We-Are-Not-Required-To-Give-Out-Last-Names," refused to give me exact numbers or send me a written quote unless I first sent him the completely drafted ad along with a signed insertion order. Yep, he wanted the contract signed before he'd quote me a price.

There's an hour of my life I will never recover. I hope you, Dear Reader, truly appreciate what I do for you by writing these books. *Sigh*.

As best as I could tell, after jumping through almost as many hoops as it takes to get a government security clearance, the cost for five job ads in the *Chron* starts at around $3 grand.

So there's my choice. No matter where I am in the country, as an HR manager, I can spend upwards of $2,000 with a traditional newspaper — or I can spend somewhere between nothing and $375 on Craigslist and not ever, *ever* have to talk to John of the no last name. That's virtually a no-brainer. Newspapers aren't going to get my business.

The other classified ad categories don't make life any easier for the traditional papers. If I want to sell my car in Orlando, the *Sun-Sentinel* will charge me $35 to $55, but Craigslist is free. If I want to hold a garage sale here in Brevard County, the *Sun-Sentinel* will charge me $18 to $23, but Craigslist is free. And if I want to rent out an apartment, the *Sun-Sentinel* will charge me somewhere between $55 and $160, but Craigslist is free.

In the United States, there are about 1,480 daily newspapers. More than 40% of their profit is being destroyed by a single company — Craigslist — that employs all of 28 people.

According to Berkeley's Mutter, more than $12.1 billion in yearly classified ad revenue has evaporated from the newspaper industry because of one 28-person company founded by some guy named Craig.

Here, too, the Internet is eliminating transit costs. The print newspaper business is enormously capital-intensive. Not only does the production of the paper require capital expenditures in terms of plant space and those monster presses, it also requires a fleet of delivery vehicles and delivery personnel to get physical papers into the hands of readers.

By contrast, a Web site requires a few relatively inexpensive computers. Here at ZATZ, we reach more than a million online readers each week — and all it takes are four moderately-priced servers located in a remote facility. All our servers, together, cost less than it costs a newspaper to lease one truck for a year.

Because production, materials, and distribution costs are being removed from the equation, it's possible to provide products for free. And that's changing the world.

Let me give you a personal example of the economics of free. Back in the 1980s, I ran a software company called Hyperpress. That was in the days before the Internet and when we sold software, we actually had to put the software on physical diskettes, print labels, print and design packaging, manufacture it all, and ship the finished product around the world. The production cost was still relatively inexpensive compared to our selling price, and we were able to make a nice little profit.

But then came the problem of bug fixes. If we found a bug in our code and wanted to distribute a copy to all our customers, we'd have to buy more disks and labels, copy the software onto each disk, buy mailers, and then ship the update packages across the world. Distributing a single bug-fix release to our customers cost us between $50,000 and $100,000.

So what did we do? Well, we certainly kept the number of bug fix releases down to a minimum. And how does that compare to today? Today, software companies can distribute bug fixes to all their customers for free over the Internet. In most cases, its fully automated. There is no manufacturing, shipping, or packaging cost. The benefit to everyone is readily apparent: customers get bug fixes virtually instantly and software developers can afford to distribute bug fix releases more often. A slightly negative side effect: many software vendors do less testing, figuring that if their customers find a bug, a fix is cheap enough to send out.

The removal of transit and materials cost has made it possible to create free competitors to some of our biggest software products. The operating system Linux runs more Web servers than any other operating system — and unlike Microsoft's Windows-based server operating systems, Linux is available for free.

There's even a free competitor to Microsoft Office called OpenOffice. OpenOffice is every bit as good as Microsoft Office, can read and write Microsoft Office files, and instead of costing anywhere from $79 to $300 and up, OpenOffice is free.

A full copy of Adobe's incredible photo editing tool Photoshop can cost $650 or more. But free alternatives Paint.NET and GIMP (the free community is naming challenged!) do nearly as much and, in some cases, more than Photoshop. You guessed it. They're free.

Of course, Microsoft and Adobe are still doing quite well for themselves, thank you very much. But for most businesses that have been subject to the rise of the free economy, the competition has been devastating — and the loss of jobs readily apparent.

No industry can lost $12.1 billion without losing jobs. There's no way to know for sure how exactly many jobs Craigslist cost the newspaper industry, but even at the relatively high rate of $100,000 per newspaper employee, the 28 jobs created at Craigslist replaced at least 121,000 jobs in the newspaper industry.

Why newspapers can't eliminate the competition

I've gotten asked this a number of times. Why can't the newspapers simply eliminate Craigslist by buying them out?

The answer comes in two parts: Craig and the barrier to entry. Let's talk about Craig first. Craig Newmark started Craigslist back in 1995 as an email list for friends. Balding, short, and unassuming, you'd never think of nebbishy Craig as the scourge of a giant industry. But because he actually doesn't want to sell much of the company, Craigslist just keeps going and the newspaper industry keeps reeling.

Even if the newspaper industry somehow managed to buy and/or bury Craigslist, another could crop up in a matter of days. All it takes is a few thousand dollars for a server, some off-the-shelf software, and the desire to run a service. Even if, in a fit of weirdly-aimed protectionism, the U.S. government outlawed Craigslist-like services (they won't, don't worry), online sites across the world would pick up the slack.

When it comes to the newspapers' classified business, don't bother closing the door since the horse has already left the barn — and all the king's horses and all the king's men can't put Humpty Dumpty's classified business back together again.

Going the distance

Of course, there are some industries where you simply have to be there to do the job. After all, it's not like some doctor in India could perform surgery on a patient in Brooklyn. Right?

Wrong. Actually, the science of remote manipulation has come a long way in the past 20 years or so.

Dr. Louis Kavoussi

Dr. Louis Kavoussi, a John's Hopkins urologist, routinely performs surgery on patients hundreds or thousands of miles away. Beginning back in 1996, Dr. Kavoussi has nipped and tucked as far away as Thailand, Singapore, Rome and Austria.

In one example as long ago as the year 2000, Kavoussi operated on one Joseph Kolodzieski, directing a remote-controlled robotic arm inside Kolodzieski's abdomen. The patient was 700 miles away from the surgeon. In another example, Dr. Kavoussi, from his home library in Maryland, conducted varicose vein surgery on a Brazilian patient.

Robotic manipulation works by taking movements recorded by computer in one location, translating them to X, Y, and Z axis data, sending them across the Internet, and then repeating the movements using a remote device. There's an interesting side-effect to telepresence: it's just possible that the robot might be a better surgeon than the doctor.

If, for example, the patient needs a microscopically small incision, a doctor might not be able to exercise the muscle control or see the needed work by the naked eye. But software can translate a full arm twist by a doctor into a thousandth of a millimeter movement by the remote knife, rendering the doctor's surgery almost infinitely more accurate.

The BHP Billiton Escondida mine

Surgery is not the only physical task that can be controlled remotely. Mining can be a very dangerous task, especially when working on ore stockpiles. A typical mining operation puts workers at risk in a variety of ways. There's often poor visibility, the work is on ground that can be unstable, and material can fall from lifts, conveyors, and even from the mine walls.

The Minera Escondida mine in the Atacama Desert of northern Chile has two open pits that are a little over three miles apart. Each year, the mine moves 400 metric megatons of copper material to oxide and sulphur leaching concentration facilities in Los Colorados and Laguna Seca (no, not the raceway!).

Bulldozers are used in the process and there have been a number of serious accidents resulting in serious injuries and fatalities.

In 2007, the BHP Billiton Escondida mine in Chile decided to combat the problem by installing five remote control systems, allowing operators in climate-controlled rooms to remotely operate bulldozers that go into harm's way without putting human operators at risk.

This is only one small example of remotely operated heavy machinery. There are mining drillers operated far underground by operators on the surface and even undersea work that can be remotely operated by humans far away.

From deep inside the human body, to deep inside the earth, to undersea maintenance, remotely operated robots can take our physical movements into the skies as well.

The Predator drone

In August 2004, a team of U.S. Marines were under attack in Najaf, an Iraqi city about a hundred miles south of Baghdad. Snipers were shooting from surrounding buildings and the soldiers were pinned down.

Suddenly, an aircraft appeared. A 64-inch Hellfire air-to-ground missile fired from its small fuselage, accelerating to 1.3 times the speed of sound. Carrying a nearly 20-pound warhead, the missile hit the buildings hiding the sniper, causing the building to crumble in the explosion — and saving the lives of the Marines.

The Marines, the sniper, the Hellfire missile, and the $4.5 million Predator drone carrying the missile were all in Najaf. The pilot who controlled the 48-foot wingspan Predator was at Nellis Air Force Base, about ten miles from the Las Vegas strip. The battle was 7,552 miles away — and yet the operator in Nevada was able to remotely pilot an aircraft halfway across the world.

None of these telepresence solutions is cheap or commonplace — yet. Neither were most other computer technologies at one time. What these three examples show — and there are many, many more telepresence operations working right now — is that even the most physical job is subject to the warping of space and time so common in Internet applications.

If Americans get their customer support and technical help from workers as far away as Bangalore, what's to prevent remote operators from driving our school buses, operating on our patients, and even scanning our groceries?

The takeaway message is that the tableau of employment our parents grew used to is changing drastically. This ain't your father's job market.

So, is it all the Internet's fault?

No, it's not the Internet's fault that globalization is causing havoc with jobs in America. The rise of the Internet, alone, wouldn't have caused a transformational change in the availability of global workers. The governments of China and India first had to change their priorities, which they did.

Next, the dot-com bubblers had to figure out that it was possible to fill in the cracks of a staffing shortage with foreign workers. Then — and only then — was it possible for the Internet to make it absurdly easy to not only employ, but collaboratively work with, people from across the world.

No, it's not all the Internet's fault. But the Internet is certainly a central player in the changing face of jobs in the 21st century.

Consumers also changed their habits. Back in the 1950s, Americans tended to choose to listen to the voice of authority. But today, authority is distrusted. Rather than turning to established mainstream media for the truth of the day, many netizens are turning to blogs and other outlets that provide the flavor of truth a given reader prefers. If the news sources readers prefer also happen to be free, then so much the better.

Consumers are also busy, with attention spans dropping to 140-character chunks. Twitter, Facebook, and other forms of social media are now substituting for more traditional media and, in some cases, for infrastructure services like emergency alerts and phone trees.

I, for example, always have a window on my computer's desktop open with a Twitter search for "Palm Bay." At a glance, I can see the emergency management status where I live. I can see, instantly, what's happening in town with up-to-the-second reports from residents and local emergency services. This is far faster than the local newspaper can post updates to its local Web site and often even faster than the local police or fire departments can process and respond to emergency reports.

The rise of the free economy created an unfair playing field, where those with no barrier of entry could compete against established giants with enormous reach and enormous expenses.

In a world where a 28-person company can cause $12.1 billion in industry-wide revenues to evaporate, jobs will be lost. As the industrial revolution's economies of scale eliminated many benefits of hand craftsmanship, we're seeing the Internet revolution eliminate some of the benefits of scale, as well as remove the value of many things previously paid for.

But our jobs problem doesn't just come from India and China and it doesn't just come from the Internet. There's a cancer in America and unless we heal it, America will just get sicker and sicker...

CHAPTER 8

The health care hostage crisis

Every American is being held hostage by the largest special-interest group in the history of the world. This chapter tells the story of how we got into this mess and will help you understand the mind-boggling magnitude of the problem. It's a life and death battle for the health and welfare of each of us. And guess what? We're not winning.

Believe it or not, employer-funded health care started off as a marketing gimmick.

It is almost impossible to discuss jobs without discussing health care. It wasn't always that way. In fact, before about 1920, the concept of health insurance didn't really exist. While there were hospitals and medical practitioners, the sort of heroic, life-saving health care our doctors now routinely practice barely existed. Before 1900 or so, most Americans didn't even realize the benefits of using soap or washing their hands, and antiseptic practices were virtually unknown.

Given that there really wasn't much 1920s-era doctors could do for very sick people, there was no reason for an insurance industry that would pay for medical care. You could buy something called "sickness insurance," which was similar in spirit to our modern disability insurance. If you were out of work for a few days, sickness insurance would make up for your lost salary.

Of course, a lot has changed since 1920. As I'm sure you know, we're once again going through a fuss about national health insurance. But what you might not know is that there have been attempts in America to create a nationalized health insurance program going back as far as 1920.

It turns out, just as with many doctors today, doctors back then didn't like the idea of national health insurance. According to Melissa Thomasson of Miami University, their primary concern was money: a national program wouldn't allow them to discriminate against some patients, charging one patient more for the same services than another patient. Groups of physicians hired what we'd now call lobbyists to argue against any sort of national health insurance. Obviously, they were successful, and were free to discriminate.

Yep, there were lobbyists even in the 1920s.

Medical costs, of course, had been going up. Hospitals started getting new-fangled equipment, new procedures were being developed, and battlefield medicine techniques from World War I and World War II trickled back to the home front, increasing the ability of doctors to save lives, but also increasing the costs of treatment.

How employer-funded health care got its start

As medical care in America got better, it got more expensive. But there was no real link between employers and medical care until World War II. Believe it or not, employer-funded health care started off as a marketing gimmick.

After Pearl Harbor was bombed by the Japanese, and America fully entered the war, President Franklin Delano Roosevelt enacted a series of sweeping policies. These policies were designed, according to Richard E. Schumann of the Bureau of Labor Statistics, to "increase total production, reallocate production to military uses, and control wages and prices."

By law, employers couldn't use wages as incentives to attract workers.

But there was a loophole. Employers *could* offer so-called "fringe-benefits." These benefits were goodies outside of the control of the various regulating agencies that employers could use to lure labor.

One such loophole was health insurance. Employer-paid health insurance was offered to American workers for the first time.

And it's here the seeds were planted for one of America's longest running and most serious assaults on capitalism. American business was, forever more, to be held hostage by health insurance.

About this chapter

Before I delve deeper into this disturbing debacle, I want to talk about what you're about to read. This chapter is distressing. It showcases just how completely dysfunctional the American health care system is — and how bad that is for American society. But as you read it, please remember that Americans are a very resourceful people and there are good, better, and even best solutions to problems even as gnarly as America's health care system.

Even if the politicians do what we expect politicians to do — water everything down and create something too little, too late, and maybe even make matters worse, Americans, individually and through our business leaders, can find ways to make things better. Later in the book, I'll showcase some tactics business owners and individuals can take to create a better, healthier society.

So, fear not. There is some good news later in the book. But not in this chapter. In this chapter, prepare to be outraged.

Health insurance by the numbers

As has been my trend in this book, I'm pulling facts and figures from the entities that are likely to provide the most favorable perspective for their particular points of view. So, for health insurance-related numbers, I'm using statistics provided by the Blue Cross and Blue Shield Association (BCBSA), which "provides health care coverage for more than 100 million people or one-in-three Americans."

Want to know how many people in the U.S. don't have health insurance? The population of our 44 largest cities — combined.

By using numbers from their *Healthcare Trends in America 2009 Edition,* we're likely to get the most conservative, least radical analysis of the situation — basically the best-case scenario. Throughout *How To Save Jobs,* I've done my best to make sure the numbers are unimpeachable. So let's look at what one of the nation's largest health insurance providers says about health insurance.

America's uninsured

According to Blue Cross and Blue Shield Association, citing the U.S. Census Bureau, the percentage of the U.S. population covered by health insurance has stayed relatively constant, at about 85%. The means, of course, that 15% — 46 million people — don't have health insurance.

If you're like me, I'll bet you find it hard to picture just how many people 46 million people are. So try this.

If you combined the populations of New York City, Los Angeles, Chicago, Houston, Phoenix, Philadelphia, San Antonio, Dallas, San Diego, San Jose, Detroit, San Francisco, Jacksonville, Indianapolis, Austin, Columbus, Fort Worth, Charlotte, Memphis, Baltimore, El Paso, Boston, Milwaukee, Denver, Seattle, Nashville, Washington DC, Las Vegas, Portland, Louisville, Oklahoma City, Tucson, Atlanta, Albuquerque, Fresno, Sacramento, Long Beach, Mesa, Kansas City, Omaha, Cleveland, Virginia Beach, Miami, Oakland, and Raleigh, you'd still have less people than the number of people in America who don't have health insurance.

That's a lot of people who are completely f@#cked if they get sick.

Can you see now how health care becomes a critical national security issue? We're talking the population of the top 45 cities in the United States, all who can't get health care. Imagine (worst case scenario) that all those cities shut down. America, as a civilization, would come to a screaming halt.

Can you see, now, how health care becomes a critical national security issue?

And this is the best-case scenario coming directly from the health insurance industry! Clearly, the health insurance model isn't working. A more probable scenario comes from the AFL-CIO, who references a report a report entitled *Americans at Risk,* from the health care advocacy group Families USA.

According to *Americans at Risk,* one in three Americans went without health insurance some time in 2007 or 2008. Their study shows 86.7 million individuals were uninsured, and:

> *Three in five (60.2%) were uninsured for nine months or more. Nearly three-quarters (74.5%) were uninsured for six months or more.*

If you wanted to try to picture 86.7 million Americans, just imagine you combined all of the people living in the top 273 cities in the United States.

So, in addition to everyone in cities from New York City to Raleigh being without health insurance for at least some time in the last two years, add every resident of Tulsa, Minneapolis, Colorado Springs, Honolulu, Arlington, Wichita, St. Louis, Tampa, Santa Ana, Anaheim, Cincinnati, Bakersfield, Aurora, New Orleans, Pittsburgh, Riverside, Toledo, Stockton, Corpus Christi, Lexington, St. Paul, Anchorage, Newark, Buffalo, Plano, Henderson, Lincoln, Fort Wayne, Glendale, Greensboro, Chandler, St. Petersburg, and Jersey City.

Add every resident from Scottsdale, Norfolk, Madison, Orlando, Birmingham, Baton Rouge, Durham, Laredo, Lubbock, Chesapeake, Chula Vista, Garland, Winston-Salem, North Las Vegas, Reno, Gilbert, Hialeah, Arlington, Akron, Irvine, Rochester, Boise City, Modesto, Fremont, Montgomery, Spokane, Richmond, Yonkers, Irving, Shreveport, San Bernardino, Tacoma, Glendale, Des Moines, Augusta, Grand Rapids, Huntington Beach, Mobile, Moreno Valley, Little Rock, Amarillo, Columbus, Oxnard, Fontana, Knoxville, Fort Lauderdale, Salt Lake City, Newport News, Huntsville, Tempe, Brownsville, Worcester, Fayetteville, Jackson, and Tallahassee.

Add every resident from Aurora, Ontario, Providence, Overland Park, Rancho Cucamonga, Chattanooga, Oceanside, Santa Clarita, Garden Grove, Vancouver, Grand Prairie, Peoria, Rockford, Cape Coral, Springfield, Santa Rosa, Sioux Falls, Port St. Lucie, Dayton, Salem, Pomona, Springfield, Eugene, Corona, Pasadena, Joliet, Pembroke Pines, Paterson, Hampton, Lancaster, Alexandria, Salinas, Palmdale, Naperville, Pasadena, Kansas City, Hayward, Hollywood, Lakewood, Torrance, and Syracuse.

Add every resident from Escondido, Fort Collins, Bridgeport, Orange, Warren, Elk Grove, Savannah, Mesquite, Sunnyvale, Fullerton, McAllen, Cary, Cedar Rapids, Sterling Heights, Columbia, Coral Springs, Carrollton, Elizabeth, Hartford, Waco, Bellevue, New Haven, West Valley City, Topeka, Thousand Oaks, El Monte, McKinney, Concord, Visalia, Simi Valley, Olathe, Clarksville, Denton, Stamford, Provo, Springfield, Killeen, Abilene, Evansville, Gainesville, Vallejo, Ann Arbor, and Peoria.

Add every resident from Lansing, Lafayette, Thornton, Athens, Flint, Inglewood, Roseville, Charleston, Beaumont, Independence, Victorville, Santa Clara, Costa Mesa, Miami Gardens, Manchester, Miramar, Downey, Arvada, Allentown, Westminster, Waterbury, Norman, Midland, Elgin, West Covina, Clearwater, Cambridge, and Pueblo.

It would be the horror story of the century.

Add every resident from West Jordan, Round Rock, Billings, Erie, South Bend, San Buenaventura, Fairfield, Lowell, Norwalk, Burbank, Richmond, Pompano Beach, High Point, Murfreesboro, Lewisville, Richardson, Daly City, Berkeley, Gresham, Wichita Falls, Green Bay, Davenport, my own Palm Bay, Columbia, Portsmouth, Rochester, Antioch, and Wilmington.

Those are America's top 273 cities and that listing vividly showcases just how many Americans went without health care for at least some time in the last two years, 75% of whom were without coverage for six months or more.

Pushing reset on pre-existing conditions

This gap is particularly troubling, because if any of these people went without insurance coverage for even a short time, many insurance policies that covered illnesses and existing health conditions would reset, making conditions that were once covered into so-called "pre-existing conditions," and no longer covered.

One in three Americans.

If you were to hear a news report that a pandemic struck America, and every citizen in the United States' top 273 cities were struck down with disease, it would be the horror story of the century.

Yet, here we have one in three Americans losing critical health care coverage (and possibly losing the chance for future care due to newly-minted pre-existing conditions), and instead of jumping to help, institutions like the AMA are fighting against fixing the system. More on that later.

The myth of employer-provided health care

Let's move on to employer-provided health care. According to BCBSA, 63% of employers offered health benefits in 2008. As we'll see in a moment, these Blue Cross numbers leave out a *lot* of companies

Employer-provided health care is a myth for most companies in America.

Among those companies with 200 or more employees who provide health benefits to active workers, 31% *also* provide health benefits to retired workers. Sadly, part-time workers are increasingly screwed. In 2006, 35% of those companies that provided health insurance to full-time workers provided health insurance to part-time workers. Only two years later, by 2008, only 25% offered health insurance to part-time workers.

There's also a huge drop-off in coverage as the size of the company you work for goes down. 99% of those people who work for companies with more than 200 employees have been offered health insurance by their employer. But that drops precipitously as the employee count goes down.

By the time you get down to companies with 10-24 workers, only 78% have access to health insurance through their company. Of those companies with 3-9 employees, only 49% offer any form of health insurance to their employees.

According to the *Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999–2008,* coverage varied considerably based on company size, the types of employees, how much they were paid, age, and more:

> *Firms with fewer lower-wage workers (where less than 35% of workers earn $22,000 or less annually) are significantly more likely to offer health insurance than firms with many lower-wage workers (where 35% or more of workers earn $22,000 or less annually). 68% percent of firms with fewer lower-wage employees offer health benefits, compared with 40% of firms with many lower-wage workers.*
>
> *Firms with fewer part-time workers (where less than 35% of employees work part-time) are also significantly more likely to offer coverage to their workers than firms with many part-time workers. Among firms with fewer part-time workers, 67% offer health insurance, compared to 45% of firms with a higher percentage of part-time workers.*
>
> *Firms that employ at least some union workers are much more likely than firms without union workers to offer health benefits to their employees. 99% percent of firms with union workers offer health benefits, whereas 60% of firms that do not have union employees offer health coverage.*
>
> *Firms with a relatively small share of younger workers (less than 35% are age 26 or younger) are significantly more likely to offer health benefits than firms with a higher percentage of younger workers (66% vs. 40%).*

But what about the self-employed? According the Bureau of Labor Statistics, about three-quarters of all U.S. firms have no payroll, are classified as "nonemployers," and certainly don't have access to employer-provided health insurance.

Unfortunately, we don't know how many people make their living at so-called nonemployer firms, because business statistics aren't kept on these small businesses.

That's right. Neither the Bureau of Labor Statistics nor the United States Census Bureau keeps statistics on three out of four U.S. firms. That's even though nonemployer firms have been growing much faster than employer firms since at least 1997 (also according to the BLS).

And why aren't 75% of all U.S. firms tracked? They don't make enough money to be important, at least according to the Census Bureau:

> *Because nonemployers account for only about 3.4% of business receipts, they are not included in most business statistics.*

For the record, America's gross domestic product is about $14.2 trillion, according to the International Monetary Fund. Doing the math, that means that 3.4% of the business receipts in the United States is about $483 billion. I'd think any business group generating $483 billion, especially one comprising 75% of U.S. companies, might be worth keeping track of.

In any case, that means that more than 75% of all U.S. firms aren't counted in the statistics of the Bureau of Labor Statistics or the Blue Cross Blue Shield Association when it comes to health insurance. On top of that, of those 7.3 million companies considered employer firms, almost half employ nine employees or less.

So 75% of all U.S. companies aren't even in play for health insurance and of the remaining 25%, half of those are very small employer companies and only half of those offer health insurance. All told, only about 12% of U.S. companies actually offer health insurance to employees. Employer-provided health care is a myth for most companies in America.

How much does this all cost?

According to the Kaiser study, it costs about $2 per worker hour to provide health care coverage to an individual. This fact, alone, is why America is going to have considerable difficulty competing against lower-wage countries like China and India — and why many American firms can't resist outsourcing jobs to those countries.

In China, if you recall, anyone making more than $2 *a day* is considered middle class. Here, in America, it's costs $2 *an hour* just for the health insurance component of a typical American's wages.

The health insurance cost shouldered by an American employer for a typical American employee with a family is 24 times the cost of the total wages for a Chinese employee.

It costs the typical American employer eight times more each day to pay for an individual employee's health insurance (and that's before wages) than it costs to employ a "middle class" Chinese worker, wages and everything.

Put another way, just the health insurance load for a typical, single American employee is eight times the cost of the total wages for a Chinese employee.

According to the Kaiser study, average health insurance premiums went up 119% during the period of 1999 through 2008.

In 1999, a year of family health insurance provided by an employer cost an average of $5,791, of which the employer paid $4,247 and the employee paid $1,543. But, by 2008, the average cost of employer-provided family health insurance was $12,680 per year, of which the employer paid $9,325 and the employee paid $3,354.

Even though their costs are higher when covering an employee with a family, most large employers provide full family insurance for their employees who have families. This can be a significant expense. An individual's insurance for a year costs $4,704 while the family insurance costs an employer $12,680. In cases where both spouses work, the cost for insurance is often divided up in some way between the companies, but it's still quite costly.

Of course, these numbers are averages. Health care spending per capita varies widely based on where you are in the country. According to the Congressional Budget Office, average per capita health care spending in 2004 was "roughly" $4,000, but in Massachusetts, it was $6,700. Interestingly, there are also a lot more doctors in Massachusetts, with about 450 physicians per 100,000 residents, vs. about 225 physicians per 100,000 residents in Utah. Are the doctors going to where the money is, or is more money being spent on doctors in Massachusetts because that's where there are more doctors available?

Earlier, I showed how the health insurance load for a typical, single American employee is eight times the cost of the total wages for a Chinese employee. By contrast, look at the cost shouldered by an American employer for a typical American employee with a family (before payroll). It's 24 times the cost of the total wages for a typical Chinese employee.

Is it any wonder American companies are exporting our jobs to countries where health care doesn't cost as much (or costs nothing at all)?

According to Blue Cross Blue Shield:

> *With health care costs in our country rapidly approaching $2.4 trillion annually — nearly $8,000 a year for every man, woman and child in America — the U.S. spends more on health care than any other nation.*

Here, in America, we spend more than three times more on health (insurance and care) each year than we do on the national defense. Our total annual expenses as a nation for housing and food — *combined* — is only slightly more what we spend for just health-related expenses.

This number is disputed, by the way. The Obama administration reports that health care costs considerably more than housing and food, but I'm going with the most conservative numbers, which puts health care just slightly under the combined cost of housing and food.

In any case, we spend more on health here in the U.S. than the entire GDP of the United Kingdom, France, and Canada — and just under the entire GDP of Germany. Our health care cost is bigger than England's entire economy!

Interestingly, in a country where we're arguing the issue of a national health system, the U.S. spends more than twice as much (as a percentage of gross domestic product) compared to either the U.K. or Canada, who both have national health programs. The U.S. spends 16.6% of its GDP on health care, while Germany, France, and Switzerland spend 10.1% to 13.0% — and India and China spend less than 5%.

According to the Centers for Medicare and Medicaid Services, America's national health expenditure (how much, overall, we spend for health) increased by $500 *billion* in just the last four years. They predict that within five years, by 2015, it will go up by *another* $2.4 *trillion*.

Averaged across every American, the Centers for Medicare and Medicaid Services estimated that each of us will have to spend $11,684 per year on health care and health care-related expenses by 2015. Health care cost for a family will be far north of $25,000 per year.

The big spender, when it comes to health care, is actually the U.S. government. 46% of the national health expenditure comes from Medicare, Medicaid, and other public sources. Another 35% comes from private insurance and employer-provided insurance — and 12% is out-of-pocket.

Hospitals and other health care providers are gaming the system, and it's costing employers. Hospitals account for about 33% of all health spending for private insurance and 37% of all spending for public insurance. Interestingly, for those who have to pay for their own care out-of-pocket, hospitals account for only 8% of the yearly health care cost. A lot of people aren't getting the hospital care they need, because they just can't afford it.

Here's how it's gamed, according to data from the American Hospital Association (AHA). The AHA claims that Medicare and Medicaid pay 88% to 91% of a given hospital's cost to provide care. So, apparently, hospitals make it up on the private payers (this according to the potentially biased presentation of the Blue Cross Blue Shield Association). According to data "adapted" from the AHA by Blue Cross Blue Shield, hospitals bill 132% of their costs to private payers.

Obviously, it's in the private insurance companies' interests to make the case that they're picking up the slack for government programs. But it is interesting that hospitals appear to be making a 32% profit on health care provided to patients who have private insurance.

On the surface, this wouldn't be a big issue. After all, we accept on faith that companies should be allowed to profit from their work. But there is an exception. Nonprofit companies are, by definition, not supposed to profit from their work — it's why we allow them to shirk the income taxes the rest of us have to pay and even accept donations, which aren't taxed.

If you'll recall from an earlier chapter, nonprofits like hospitals are also permitted to bring in an unlimited number of foreign H-1B visa employees, potentially displacing American workers in their own country.

If hospitals truly do account for 33% to 37% of the overall health care cost in America, that means that hospitals — alone — cost Americans more than the entire national defense. And most don't even have to pay taxes.

Are we getting better care?

Since America spends far more on health care than any other country, it stands to reason we should be healthier here than people are anywhere else in the world. But are we? Is our health care system working so well, it's worth the vastly greater cost?

One way to answer that is to look at spending variations within the United States. The *Geographic Variation in Health Care Spending* report released in February 2008 by the Congressional Budget Office compared health care spending across the country. Here's what they concluded about the quality of more expensive health care:

> *Areas with higher-than-expected Medicare spending per beneficiary tend to score no better and, in some cases, score worse than other areas do on process-based measures of quality and on some measures of health outcomes.*

Patterns of treatment in high-spending areas tend to be more intensive than in low-spending areas. That is, in high-spending areas a broader array of patients will receive costly treatments. Those treatment patterns appear to improve health outcomes for some types of patients, but worsen outcomes for others.

Another study, published in the April 2004 issue of the *Health Affairs* policy journal, reinforced the counter-intuitive observation that higher cost doesn't necessarily yield higher quality. Researchers Katherine Baicker and Amitabh Chandra found:

If spending per Medicare beneficiary increased by $1,000 in a state, there was an associated decrease in most measures of "good" medical practice, including, for example, the share of heart attack patients who were given aspirin (a 3.6 percentage point decrease) or offered advice about smoking cessation (6.8 percentage points) at discharge, the share of pneumonia patients who received antibiotics within 8 hours of arrival at the hospital (2.0 percentage points), and the share of diabetes patients whose blood sugar concentrations were evaluated (3.2 percentage points).

Three years later, in 2007, researcher Chandra paired up with Douglas Staiger. Their article, "Productivity Spillovers in Health Care: Evidence from the Treatment of Heart Attacks" in the *Journal of Political Economy* looked at how heart attacks were treated in high-spending areas vs. lower-spending areas.

Among heart attack patients, there are usually two approaches: a high-cost surgical treatment and a far lower-cost medical management treatment (diet, exercise, etc). According to Chandra and Staiger, if a patient that truly needed surgical intervention lived in a high-spending area, he or she would usually fare better. But, if a patient that really didn't need high-cost intervention lived in a higher-spending area, he or she would likely fare considerably worse over the long haul, either through poorer medical management treatment or pressure to undertake higher-cost and possibly unnecessary surgical interventions.

Of course, this research applied more to Medicare spending than for non-Medicare spending, and it doesn't reflect quality of care in the high-spending United States as compared to, say, the United Kingdom or Canada.

It's extremely hard to make these comparisons. For example, if we live shorter lives here in America, but eat nothing but Big Macs, is that the fault of poor medical care, or simply poor life choices? Although there have been many studies on comparative effectiveness, none are universally accepted. Worse, many of the studies have been funded by industry groups with billions and even trillion of dollars at stake, so the conclusions would naturally tend to lean in favor of the vested interest.

But we can look at a few factors and draw some rudimentary conclusions. For example, we can compare infant mortality rates and life expectancy rates among various countries and derive some interesting information.

Comparing America's health care to other countries

According to 2008 health statistics from the Henry J. Kaiser Foundation, India had 32 deaths per 1,000 births and China had 21 deaths per 1,000 births. India spends the equivalent of $100 per person, per year on health and China spends the equivalent of $315 per person, per year.

America, on the other hand, spends $6,350 (per Kaiser's numbers) per person, per year and had an infant mortality rate of 6 per 1,000. America spent 63 times more per person than India, but saved only about 5 times as many infants. America spent about 20 times more money on health per person than China, but saved only about 3 times more babies.

In terms of life expectancy, Americans are generally expected to live until 80 years old, Indian citizens to 64 and Chinese citizens to 75. We spend 63 times more per person than India, but we live an average of 16 more years. We spend roughly half a million dollars on health care per person over an 80 year life, which is roughly half a million dollars more than the typical Indian. Speaking only for myself, I'm convinced that getting an extra 15 years loving my wife, dreaming of fast cars, playing video games, and drinking ice tea would be worth a cool $500,000.

The life expectancy ROI (return on investment) isn't quite as clear with China. We spend 20 times more per person per year for health care, but only gain an extra five years. Once again, speaking only personally, I'd take the extra five years, but it does seem comparatively costly.

But what about our infant mortality rates and life expectancy rates compared to countries far more culturally similar to the United States? How do we compare to Canada and the United Kingdom, both of whom have a form of national health care and both of whom spend a lot less than we do?

On average, Canada's health expenditure per capita is $3,673. In the U.K., it's $2,815. That means, per person, we spend about 1.7 times more than Canada and about 2.25 times more than England. So clearly, we should live longer and have more successful birthings, right?

Um, not so much.

Canadians live an average of 83 years as compared to our 80 and the Brits live 82 years compared to our 80. So, we're spending about twice as much as they are, and yet we're living a few years less.

Adding insult to injury, Canadians only have 5.04 infant deaths per 1,000 birthings, compared to 6.26 in America. In the U.K., which, incidentally, spends even less per capita than Canada, they have only 4.85 infant deaths per 1,000, again compared to our 6.26.

They're spending less, have guaranteed health care, and are living longer.

When you look at our spending on a national basis, the numbers are astonishing. According to the World Health Organization and the Centers for Medicare and Medicaid Services, the U.S. spends 16.6% of its GDP on health care. But Canada (they live three years longer than we do) and England (they live two years longer) both spend only about 10% of their GDP on health care.

Remember, earlier, when I said the U.S. spends about $2.4 trillion each year on health? Try this on for size. Both the International Monetary Fund and the World Bank say we have a gross domestic product of about $14.2 trillion. If, instead of spending 16.6% of our GDP on health, we were more like Canada and the U.K. and spent 10% of our GDP, our health care costs would drop down to about $1.4 trillion each year.

We could save a trillion dollars. If you've never seen a trillion, that's a dollar sign followed by a one, with 12 zeros following it:

$1,000,000,000,000

Each year.

Put another way, we could each — every man, woman, and child in America — save around $3,300. Each year.

While hospitals are costing more and more, according to the Centers for Disease Control (CDC), the number of visits to physicians (measured in visits per 100 people) has decreased by 11% during the period from 2002 to 2006.

Of those private physician visits, many of them are not to the old-fashioned family doctor. Measured across all Americans, 43% of doctor visits are to specialists of one sort or another. For those over 65, specialist visits represent almost 60% of all doctor visits.

It's no wonder nobody makes house calls anymore.

But isn't our medical care better? After all, we've always been told we have the best medical care in the world. Even though we spend a lot more, have more deaths during childbirth, and live shorter lives than similar countries, it's worth it because the quality of our care is so much better. Right?

Not necessarily.

According to the World Health Organization's *World Health Report,* which was last performed in the year 2000, America's health care system ranks at #37. Just to put this in perspective, the W.H.O. ranked the health care systems of Morocco, Chile, Costa Rica, Cyprus, and even Columbia as better than ours. Of course, we were one notch ahead of Slovenia and two ahead of Cuba, so at least we've got some bragging rights.

That's just the United Nations' opinion (the W.H.O. is a U.N. agency). What do our own medical professionals think?

No professionals knows more about the quality of patient care than nurses. According to the American Nurses Association, which represents the interests of the nation's 2.9 million registered nurses through its 51 constituent member nurses associations and its 24 specialty nursing and workforce advocacy affiliate organizations, nurses aren't impressed by America's quality of medical care.

In a July 2009 survey of more than 15,000 nurses nationwide, 70% said the staffing for their unit or shift was insufficient. Worse, 49.5% said they "would not feel confident having someone close to them receive care in the facility in which they work."

That does not bode well for the quality of American health care.

Bankrupting the insured

Insurance *coverage* is another myth. We've all been lead to believe that as long as we have insurance, we'll be taken care of. As insurance rates go up and up and up, we've been promised that even though it costs a lot more, it's worth it because our future is being assured.

But, as we've come to see with other aspects of the health care industry, health insurance is worse than broken — to many people, it seems more scam than service.

In August 2009, *The American Journal of Medicine* published a clinical research study entitled "Medical Bankruptcy in the United States, 2007: Results of a National Study." The research team consisted of David Himmelstein, MD, of the Harvard Medical School, Deborah Thorne, Ph.D., of Ohio University, Elizabeth Warren, JD, of Harvard Law, and Steffie Woolhandler, MD, MPH, also of Harvard Medical School.

I'm calling your attention to the research team here because I want you to understand that this is *highly credible* data.

There's one other thing I need to point out. This study was done in 2007, before the massive economic downturn that began during the 2008 presidential election cycle. What this means is that the data presented provides far greater clarity about the health care industry's contribution to bankruptcy than if the study had been conducted later, when a lot of other bank failure-related issues might muddy the mix.

Here's the key conclusion of their analysis:

> *In 2007, before the current economic downturn, an American family filed for bankruptcy in the aftermath of illness every 90 seconds; three-quarters of them were insured. Over 60% of all bankruptcies in the United States in 2007 were driven by medical incidents.*

Some might say, "Those are pretty sobering numbers, but that's what they get for not having insurance." But here's where it gets really, *really* scary:

> *Most medical debtors were well educated, owned homes, and had middle-class occupations. Three-quarters had health insurance.*

Three-quarters had health insurance. Put those two numbers together. 60% of all bankruptcies in America were driven by people who couldn't pay their medical bills, most of whom actually had health insurance.

The health insurance they'd been paying for. The health insurance, that for some people cost more than their mortgage or their rent. The health insurance that many of their employers had been forced to pay for as a mere factor of the competitive environment.

That health insurance. The health insurance that didn't actually insure their health.

So, let's run some numbers. Using the study's statement that a medically-related bankruptcy occurs every 90 seconds, that's 350,400 medically-related bankruptcies in 2007.

So how much did these medically-related bankruptcy filers owe? After all, insurance does have a coverage cap, usually somewhere in the millions of dollars. Clearly, if their coverage exceeded millions of dollars, it'd make sense for their insurance to run out.

Ah, but that wasn't the case. On the average, most of these families (or their employer) paid $12,680 for their insurance. Each year. And how much money was it that caused their bankruptcy? Take a deep breath. This is gonna make you very, very angry:

> *Out-of-pocket medical costs averaged $17,943 for all medically bankrupt families.*

It's a disturbing scenario. Imagine you're one of these people. You have medical bills. Your insurance company may have paid some of them, but you're still left with $17,943 to pay off.

You have insurance, and in the last year, you and your employer together paid $12,680 (on average), specifically to make sure you get care and you're not left with big debts. But because of deductables, denied coverage, and other incidentals, you're forced into bankruptcy because of $17,943 in medical bills.

Not a million dollars in medical bills. Not even a hundred thousand dollars in medical bills. $17,943 dollars — just $5,263 more than you and your employer pay each year for the assurance that this'll never happen to you.

Insurance is no assurance

And it gets worse. There is a concept in the insurance biz called *rescission*. It's the insurance world's equivalent of a marriage annulment, allowing an insurance company to back out of an already-paid insurance policy and deny the policy holder insurance coverage.

If you have a serious medical problem, you stand a better than even chance of losing your insurance and never getting paid.

Most insurers claim the rate of rescission is fairly small. In testimony before the U.S. House of Representatives Committee on Energy and Commerce, Don Hamm, CEO of Assurant Health stated "Rescission is rare. It affects less than one-half of one percent of people we cover."

And yet, according to a story by Karl Vick in the September 8, 2009 issue of the *Washington Post:*

> *In the past 18 months, California's five largest insurers paid almost $19 million in fines for marooning policyholders who had fallen ill. That includes a $1 million fine against Health Net, which admitted offering bonuses to employees for finding reasons to cancel policies, according to company documents released in court.*

Of course, $19 million in fines across five companies is a drop in the bucket compared to how much insurers are saving by abandoning those paying customers who have the audacity to get expensively sick.

Vick's story continued:

> *Officials from three insurance companies told a House Energy and Commerce subcommittee this summer they had saved $300 million by canceling about 20,000 policies over five years.*

ABC News reported that Wellpoint, another insurance provider claimed rescission rates of 0.01%, and, in a 2007 article in *Money Magazine,* authors Walter Updegrave and Kate Ashford pegged the rescission rate across insurance companies at 1%.

Despite Assurant CEO Hamm's assurances in his testimony that rescission is rare, the practice turns out to be a very big problem for Americans. Once again, a little math is in order. To fully appreciate the problem, recall that insurance coverage is supposed to spread the risk among all the policy holders, so the vast majority of healthy customers help pay for the relatively small percentage who are actually sick.

Instead, by practicing rescission and by making misleading statements about percentages, what the insurance companies have in many cases managed to do is get all their customers to pay premiums, but deny payment to those who need it most. In effect, rescission allows the insurance companies who practice it to violate their sacred trust and instead of providing insurance coverage to their customers, they are merely grifters running a long con with billions of our dollars.

So let's see how they're running this con. To start with, according to the U.S. Department of Health & Human Services (HHS), a full 50% of Americans incur almost no health care expenses. A lot of Americans are relatively healthy.

So let's move on to another group of Americans. According to HHS, "A small proportion of the total population accounts for half of all U.S. medical spending."

In fact, just 5% of Americans account for 49% of all medical spending. According to HHS, "Among this group, annual medical expenses (exclusive of health insurance premiums) equaled or exceeded $11,487 per person."

But even that's not all that expensive to an insurance company with rapidly increasing premiums. The top 5% of the population incur insurance expenses that really amount to just about two years of premium payments.

It's the next cohort that becomes impressive. According to HHS, a mere 1% of all Americans account for 22% of all the health care costs in the United States, with annual health care expenses in excess of $35,000 per person.

Stick with me. I know this is a lot of math, but if you want to see how you're probably getting ripped off, you'll need to keep reading.

If you remember way back to the beginning of this chapter, you'll recall that about 85% of Americans have health insurance coverage. So, of the 1% of Americans incurring relatively large medical expenses, that really turns out to be just 0.85% of those covered by health insurance. Hang in there with me. This will become clear in a minute.

Looking at the HHS numbers, it becomes clear that the vast majority of health insurance policy holders don't ever make claims that exceed the cost of the premiums paid. It stands to reason, therefore, that insurance companies wouldn't ever care about rescission for most of the policy holders they cover, since they're making a profit off these policy holders.

But once those payouts start to get expensive, for that remaining 0.85% of policy holders, rescission becomes a more and more attractive option for policy holders. And here's where Hamm's testimony become freaky. Follow along carefully.

The point at which rescission becomes attractive is for that 0.85% of policy holders that actually need serious health care. It's for this kind of health care expense (over about $35,000) that's the reason we all buy insurance. It's therefore almost overwhelmingly likely that virtually all of the rescissions would be applied to the 0.85% of policy holders that actually cost insurance companies serious money.

What does this mean for you and your family? Well, if you take Hamm's 0.5% rate (which is a good median between the Money Magazine numbers and those from Wellpoint), and you divide that by the 0.85% of policy holders who actually need real insurance, you get 58% — that's the percentage chance that if you have a serious medical problem, your insurance company will simply drop your policy and refuse to pay.

Of course, it's actually worse. About half of those Americans who are paid by "employer companies" work for companies with 500 employees or more. These companies have really good group policies, and so the odds of an employee of, say, IBM being denied coverage or having his or her contract yanked is very small — because, after all, an insurance company isn't likely to want to upset its best customers.

What that means is that rescission is most likely to be practiced on those who work for smaller companies or who buy insurance on their own — about half of those getting insurance. And so, before we accounted for employees of big companies, we learned that there was more than a 58% chance you'd be denied coverage. But the odds are doubled if you factor out those who work for big companies.

Bottom line: if you don't belong to a large group policy, you have virtually a 100% chance that you'll be denied coverage at some point if you really need it.

After all, as insurance CEO Hamm stated in his Congressional testimony:

> *Rescission ... is one of many protections supporting the affordability and viability of individual health insurance in the United States under our current system.*

In other words, if an insurance company has to pay out too much in claims, rescission could be a get-out-of-paying-free card. And this is where it gets disturbing.

Let me make that clear: if you have a serious medical problem and you're not part of a major corporate group policy, you stand a statistically 100% chance of losing your insurance and never getting paid. Here's an easy thing to look for: if your medical bills exceed $35,000 a year, your insurance company is probably, right now, trying to find a way to drop you.

The bad news: there's an almost guaranteed chance they'll find a way.

According to documents obtained by the House Committee on Energy and Commerce and reported on by Lisa Girion in the Los Angeles Times:

> *The documents show, for instance, that one Blue Cross employee earned a perfect score of "5" for "exceptional performance" on an evaluation that noted the employee's role in dropping thousands of policyholders and avoiding nearly $10 million worth of medical care.*

Did you make even the slightest mistake or omission on those overly-complex, designed-to-confuse applications? Bingo. You're gone. Is there any other excuse the company could use? Poof, you're history. And, since you're now stuck with a pre-existing condition and a history of being dropped by an insurer, you may never get the health care you need. Slam. You're screwed.

And — I swear, I'm getting tired of saying this — it gets worse.

Wendell Potter used to be the media relations director for insurance giant Cigna. In June, 2009, he testified under oath before the Senate Commerce Committee, stating that insurance companies:

> *...dump small businesses whose employees' medical claims exceed what insurance underwriters expected.*
>
> *All it takes is one illness or accident among employees at a small business to prompt an insurance company to hike the next year's premiums so high that the employer has to cut benefits, shop for another carrier, or stop offering coverage altogether — leaving workers uninsured. The practice is known in the industry as purging.*

Read that carefully. All it takes "is one illness or accident among employees at a small business" for the insurer to go out of its way to purge the entire company from its system.

BusinessWeek wrote about this. In an August 27, 2009 article, Joshua Kendall reported:

> *In a February conference call with analysts, Cigna President David Cordani said: "In 2008 we were essentially actively decreasing our posture in several markets, particularly the under-50 book of business [companies with fewer than 50 employees]. You could use the term 'purge' if you'd like."*

Kendall continued:

> *Compounding the problem is the fact that entrepreneurs, if slapped with hefty premium increases, may end up with fewer alternatives. In half of the states in the country, according to a 2008 survey by the Government Accountability Office, the largest small-business insurer has 47% or more of the market; in Alabama, one carrier insures 96% of all small businesses.*

This is America, the country that should have the best medical system in the world. But this is also a country where one employee getting sick or hurt could either cause all the other employees at a small company to lose their insurance coverage or, worst case, cause their employer to go out of business.

Something's wrong.

This is also a country where, once you're actually sick, even if you've paid all your insurance premiums year after year you stand an almost 100% chance of losing your coverage, because insurance company employees earn bonuses if they can successfully drop thousands of policyholders in need.

It's abundantly obvious that the insurance system is terribly, terribly broken.

The failure of the insurance system

Clearly, the insurance system is a failure for vast numbers of Americans. That's why it's particularly disturbing that the Senate's new health care bill appears to be putting even more faith in the insurance companies.

Using the insurance industry's own numbers, they claim that 13% of every medical dollar goes into the insurance industry, rather than the medical industry. So, of the $2.4 trillion dollars we overspend annually on health care, at least $312 billion feeds the insurance industry.

Here we have the insurance industry, sucking 13% off our already excessive costs for health care, and, according to *The New York Times,* making profits above $60 billion in 2006. Based on the *American Journal of Medicine* numbers, medically-related bankruptcies account for an annual loss to American citizens of about $6.3 billion.

Lose the job, lose the insurance. Lose the insurance and, suddenly, you're a statistic.

The industry makes $60 billion in profits, but is willing to bankrupt hundreds of thousands of Americans over an amount that's a mere 10% of it's already astronomical profits.

To be fair, the fault isn't just with the insurance industry. Every industry has a right to make profits. Likewise, we, as consumers, have the right to choose to purchase from a business — or not. If we like the quality, service and value, we buy more and the company succeeds. If we don't like the quality, service, and value we shop less, and the business doesn't succeed.

Except the health insurance business. Here, we have very little choice.

The insurance industry has set itself up between those of us who are consumers and those providing medical care. In fact, there are so many layers and filters and barriers between the consumer and the product that it's virtually impossible to comparison shop for anything in the health care business.

According to the Kaiser Foundation:

> *Employer-sponsored insurance is the leading source of health insurance, covering about 158 million nonelderly people in America.*

That means that about half of all people in America get their health insurance through their employers. Of course, as more and more people lose their jobs, more and more people are also losing their health insurance. According to researchers James Kvaal and Ben Furnas of the Center for American Progress, approximately 14,000 people are losing their health insurance *each day*.

Our system of employer-provided health insurance is one of the big reasons for the health care related bankruptcies discussed earlier. More than 37% of those suffering a medical-related bankruptcy were forced to quit their job or were fired due to their illness. According to *The American Journal of Medicine* study, more than half of American companies cancel coverage within a year of when an "employee suffers a disabling illness," and a quarter do so almost immediately.

Americans are getting systematically ripped off by our own medical establishment at levels that almost defy comprehension.

So they get sick, which means they can't do their jobs — but it's the insurance provided through their job that's supposed to help them when they're sick. Lose the job, lose the insurance. Lose the insurance and, suddenly, you're a statistic.

Our insurance premiums went up an average of 119% in the last decade. But we're definitely not seeing more value. In fact, *The American Journal of Medicine* study also tells us:

> *Since 2001, the proportion of all bankruptcies attributable to medical problems has increased by 50%.*

So our costs for the insurance that's supposed to protect us from bankruptcies more than doubled — and medically-related bankruptcies also went up, by a whopping 50%.

The push for health care reform

That, of course, leads us to the push for reforming health care. We Americans are getting systematically ripped off by our own medical establishment at levels that almost defy comprehension.

Since the American health care industry is far larger than any other industry in America, and America has the largest economy of any country, that makes the American health care industry the largest industry in the world — and the single largest economic interest bloc in the history of mankind.

So, as you might guess, the members of the health care industry aren't as interested in reform as those of us who aren't siphoning off an excess trillion dollars a year from the American populace.

You might think that the prestigious American Medical Association is a scientific organization representing the nation's best healers. And while the AMA does have a membership some 250,000 physicians strong, it's anything but a scientific organization. In fact, the AMA is one of the leading lobbying organizations — fighting tooth and nail to keep the status quo.

According to *The New York Times,* in comments submitted to the Senate Finance Committee, the American Medical Association said:

> *The AMA does not believe that creating a public health insurance option for non-disabled individuals under age 65 is the best way to expand health insurance coverage and lower costs. The introduction of a new public plan threatens to restrict patient choice by driving out private*

> *insurers, which currently provide coverage for nearly 70 percent of Americans.*

Further, according to the *Times:*

> *The group has historically had a strong lobbying operation, supplemented by generous campaign donations. Since the 2000 election cycle, its political action committee has contributed $9.8 million to Congressional candidates, according to data from the Federal Election Commission and the Center for Responsive Politics. Republicans got more than Democrats in the four election cycles before 2008, when 56 percent went to Democrats.*

$9.8 million is a very small price to pay, when trying to preserve a $2.4 trillion windfall that pays out more and more each year.

$9.8 million is a very small price to pay, when trying to preserve a $2.4 trillion windfall.

But the AMA is not alone. According to Nate Silver of the excellent FiveThirtyEight.com Web site, political action committees associated with pharmaceutical companies, hospitals, HMOs, health services companies, medical supply companies and physicians', dentists' and nurses' groups have all given contributions to congressional campaigns:

> *Overall, health care PACs have given an average of $482,870 to Republican senators and $407,979 to Democrats. There is a larger discrepancy, however, when the contributions are taken as a share of overall campaign funds — the average Republican senator has gotten 3.6% of his funds from health care PACs, while the average Democrat has gotten 2.1% of hers.*

> *Senators in favor of a public option have received, on average, $335,308 or 1.8% of their total campaign contributions from health industry PACs. Senators opposed to it have received an average of $486,629 or 3.5%. Undecided senators have gotten $530,968, or 2.9% of their total campaign funds, from health industry PACs.*

The big issue, at least as I write this, is something called the "public option." The idea here is that citizens can choose to buy their health insurance from commercial insurance companies — or they can somehow get it from an as-yet unformed federal insurance program of some kind.

Proponents claim the public option will provide economies of scale and bargaining power that no other option will offer. Opponents in the insurance, pharmaceuticals, and health care industries claim it will create a situation of unfair competition, making life harder on the health care industry providers as a whole.

Based on my analysis in this chapter, the health care and insurance industries in America need a reboot. As we've seen over and over, Americans are getting screwed instead of getting healed.

But if all we're doing is adding one more big insurance operation to the mix, we're missing something really fundamental. The whole concept of insurance isn't working here.

Insurance is basically a bet against yourself. You're paying a certain amount each month, betting against the house that you won't get sick.

But the people you're paying, the insurance companies, don't have their interests aligned on your behalf. Insurance companies *are* the house, and their bet is that you will spend more than they have to pay out. And, like every casino in Las Vegas, they stack the odds far in the favor of the house, not the gambler.

It's very strange. Throughout most of America, gambling is illegal. But for the single biggest industry in the history of the world, we're all gambling.

Right now, we're all losing.

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Obviously, health care in America is a rapidly moving target.

If you'd like to stay up to date and get the latest information, updates will regularly be posted to:

HowToSaveJobs.org

PART II

POLICY IDEAS THAT COULD SAVE JOBS

Ideas, strategies, and innovative approaches for policy change that could make a real difference and help save and create jobs in America.

CHAPTER 9

Moving forward

So there you have it. We've come a long way from the Natufians of 16,500 years ago. For that matter, we've come a long way from the world of the 1970s and 1980s.

China and India are radically different nations than they were back then. Together, they've got 2.5 billion people, 37% of the world's population. In the 1970s and 1970s, they were, effectively, third world nations hiding from the world stage. Now, they're anything but. These two nations are in a very serious race to bring their populations into the 21st century and compete on an equal footing with America and Europe.

We also have a situation where if these two nations, alone, manage to build up their economies to a point where most of their citizens aren't starving, they'll exceed the world's energy supply many times over, consume staggering amounts of water, and bring global warming to an undeniable and unavoidable boiling point.

The modern, broadband-based Internet has collapsed distances like nothing in human history. It's as easy to communicate face-to-face and collaborate side-by-side with someone in Shenzhen or Bangalore as it is to interact with someone in Denver or Atlanta.

Add these two factors up — the middle-classing of vast numbers of Indian and Chinese citizens, along with the instant (and virtually free) communication possible between our countries — and there's no longer any practical friction making it harder to work with someone across the ocean as compared to working with someone across the aisle.

Combine the friction-free nature of international collaboration with the incredible savings made possible by offshoring labor and innovation, and you have a virtual perfect storm of transformation for the world of jobs.

Add to that perfect storm America's quest to continually shoot itself in the foot in terms of its policy decisions.

We have a health care industry — the largest cabal in the history of man — run by people who are essentially criminal masterminds bent on extracting every last dollar from Americans and literally profiting from our pain.

We have politicians who, rather than keeping lower-cost foreign workers out of the country, instead enact legislation guaranteeing foreign companies can bring in foreign workers into the United States to displace Americans.

Later in this book, I'll show you how the American government funnels at least 10% of all the taxes it collects into jobs outside of America, including repeated attempts to outsource our national security to countries on the top of our suspected enemies list.

On top of all that, we keep having kids. We churn out so many of the little wonders that we need to create 2 million new jobs each and every year simply to support the influx of all those babies, once they grow up and need work.

And all of *that* is before you even begin to look at the failures in banking regulation and the mortgage system, not to mention failures in personal integrity, that led to the financial crash of 2008 and 2009.

Is it any wonder than unemployment has broken the 10% barrier? As of November 2009, The New York Times reported that overall unemployment and underemployment had reached 17.5%, with one out of six workers not finding the work they need.

As I've shown, the employment situation isn't just the result of some bad decisions on the part of our regulators, although that contributed to the problem nicely. Instead, our situation reflects a substantially changed world.

So what do we do about it? Read on.

* * *

Nothing would make me happier than to make one or two slam dunk, touchdown, hole-in-one, home run policy suggestions that would change everything, instantly foster massive new business creation, and turn every American who wants to be into a successful entrepreneur.

But that's not going to happen.

Every business different, and most businesses also succeed by finding a way to be different from every other business and offer that difference as a competitive advantage. That means that one-size-fits-all new business creation policies can't really work.

Instead, we have to look at the problem from a variety of angles, find out where the unnecessarily hard challenges are for entrepreneurs, and find opportunities that will motivate those who would normally sit on the sidelines.

Let me be clear that despite the wildly hubristic title of this book, I, alone, can't come up with all the strategies to save jobs in America. I need your help.

One of the big reasons I decided to make the digital version of this book available to everyone for free was to reduce the friction in the conversation.

If you want to share some thoughts that are in this book among your family, friends, business, religious, or political associates, you're welcome to give them the free PDF of this full book, located at HowToSaveJobs.com. Add your own ideas, talk to your own Congress-critters, and help America create the jobs it so very much needs.

Up until now, I've looked backward. I've looked at how we got here. In this section, it's time to move forward.

What follows are some ideas, some strategies, and some approaches for policy changes that could make a real difference and help save and create jobs.

In the next chapter, I'll discuss some of the policy changes needed to help small businesses and freelancers get into business, grow their business, hire a few more employees, and stay successful.

In subsequent chapters, I'll look at some policy ideas that might help existing businesses and larger businesses save jobs. And then later, in the last part of the book, I'll cover some powerfully effective hands-on tips, techniques, and strategies that you personally can take, without waiting for or relying on politicians to get their acts together.

So let's get started. Let's save us some jobs...

CHAPTER 10

The rise of the entrepreneur society

When I first set out to write *How To Save Jobs,* I was planning to write about jobs with a lower-case J — jobs, not Jobs. I thought I'd be writing the cousin of *The Flexible Enterprise,* telling business owners how to tweak their businesses so they'd be a bit more profitable and therefore be able to keep more employees.

But after writing the first half of the book and getting to know where we really stand concerning jobs in America, I've found that what I'm writing about is Jobs, with a capital J — how to help America be competitive and how to help Americans stay employed and make a living — clearly a much bigger issue and challenge.

There is absolutely no reason America can't launch a million — or even 10 million — new small businesses in the next year or so.

For, make no mistake about it, Americans' ability to make a middle-class living is under assault and unless the United States makes some real changes, we may find far too many of our jobs going overseas, where there will always be people below the poverty-line desperate to get a leg up.

As I've mentioned before, I wish the best for people throughout the world, but this book puts America first. That means we're concerned with how *Americans* can keep and create new middle-class jobs.

In Chapter 6, I showed how America needs 20.6 million jobs *right now*. America also tends to need about 2 million additional new jobs each year just to stay even with population growth.

Assuming no more jobs are lost (far from a realistic assumption), we'll need another 10 million jobs to be created in the next five years, for a total of more than 30 million jobs.

That's a lot of jobs. That's a lot of jobs that need to be *created*.

This book's title is *How To Save Jobs,* not "How to whine about how many jobs we need." So, our responsibility in this and subsequent chapters is to find ways to create those jobs.

In engineering, when we need to solve a problem or build something new, we start with a "problem statement." Before we build anything, we need to know the situation. Once we have a good understanding of the situation, then we engineer a solution.

In this case, the problem statement is: we need to create 20-30 million jobs.

Next, we need the confidence to believe we can solve the problem. Sometimes that's complete hubris or delusion, but often it's merely faith in American ingenuity, drive, and resourcefulness.

I have no doubt we can create 20-30 million jobs in short order. I have no doubt of the resourcefulness, drive, and creativity of Americans everywhere. I also have complete faith in our ability to succeed.

By now, we know the problem and we have the confidence that we can solve it. So, how might we do it?

Fundamentally, there are three approaches:

- Rely on existing corporations to create new jobs
- Rely on the government to create new "make work" jobs
- Do it ourselves

Let's look at each of these in turn.

Rely on existing corporations to create new jobs

As I showed in Chapter 6, the top 40 corporations in the world employ only 18.6 million people. And it takes decades to create a top corporation with the ability to sustain so many employees.

There's no doubt America could spawn another 40, or 100, or 500 corporations that could employ 30 million people — but that would take 50 years.

We don't have 50 years.

Rely on the government to create new "make work" jobs

The United States government currently employs somewhere north of 14.6 million people. It's actually quite difficult to get an exact count, because you've got to include not just civil servants, but members of the military, and even government contractors into the mix.

According to Professor Paul C. Light of New York University, who has tracked government workforce numbers going back to 1990, nearly 10.5 million of the 14.6 million government workers in 2006 were contractors or grantees. The contractors and grantees together consumed "nearly $400 billion in federal contracting funds and $100 billion in federal grants in 2005," according to *The Washington Post*.

If you divide $500 billion (the amount spent) by 10.5 million (number of contract workers and grantees), you get $47,619, which is a good working number for computing the average pay for a government worker.

That tracks quite well with U.S. Census Bureau numbers, which pegs the median household income in the United States at $50,233 in 2007 (it might be lower now that we have more unemployment, but those figures aren't out yet).

This gives us a usable number to work with: $50,000. Obviously, some people make a lot less and others make a lot more. If we're trying to create 20 million jobs right now and a total of 30 million within five years, at least we've got a starting number to work with. So how much would it cost?

If you multiply 20 million potential workers by a $50,000 annual salary, you get one *trillion* dollars. To employ everyone in America who needs a job, it'll cost about a trillion dollars a year. Plus, of course, benefits. But let's keep this simple. For now.

Another 14.6 million people were employed by state and local governments. Interestingly, more than half of them are teachers and other education-related employees. Remember this point. It's important and we'll come back to it later.

According to the Internal Revenue Service, total tax revenue for the United States in 2007 was $2,674,007,818,000 (or 2.6 trillion bucks). Of course, that was 2007. According to the Associated Press, the U.S. government's take is declining by 18% in 2009, a year-to-year loss of some $500 billion.

In theory, the government could create another 30 million "make work" jobs. It'd need to create one new job for every existing federal, state, and local worker and contractor, but it could be done.

In theory, the government could spend almost half of its total tax revenues to pay for these "make work" jobs — each and every year.

There are about 43 million sole proprietors and very small businesses in the United States. If just half of these very small companies hired just one person, we'd completely solve our unemployment problem.

With a budget deficit of more than $1.8 trillion, the only way we'd be able to get the money to pay all these people is to borrow it.

That brings us back to China and India. To hire back all the workers whose jobs were lost due to offshoring to China and India, we'd have to borrow trillions from China and India.

Sure, the U.S. might do it. Dumber things have been done by American politicians. However, it certainly won't solve the problem of ongoing American employment.

That rules out the possible approach of relying on the government to create enough new jobs.

Do it ourselves

As we've seen, it's completely impractical to expect that we can create 40 or 50 new Fortune 500 companies in the next year or so. Also, while the government could theoretically dig itself into a deeper hole than it's already in, it's also completely impractical for the government to hire the 20 million or so people who need work right now.

Who's left? That's right. You and me.

America has a rich history of entrepreneurship and even to this day, millions of Americans are either self-employed or employed by very small businesses.

If you'll recall back to Chapter 8, 7.9 million companies in the United States are considered "employer firms," firms with employees. Almost half of those companies employ nine people or less. In addition, there are about 23.7 million small companies that are considered nonemployer firms, generally freelancers, businesses with an owner and a few helpers, and small family businesses. All told, there are about 27.6 million small businesses in the United States, all with nine employees or less.

While there is no way America can create 50 or 100 new multi-billion dollar corporations in a year or two, and there's no way America can afford to hire one additional person for every civil servant, warrior, teacher, and politician it currently employs, there is absolutely no reason America can't launch a million — or even 10 million — new small businesses in the next year or so.

Think about it. While few of us know the CEO of a billion dollar corporation, almost all of us know someone who's started her own business or makes his living as a freelancer.

And that's the fundamental solution to our problem statement. How do we create 20-30 million new jobs? We create millions of new companies and help millions of people become successful freelancers.

We transform America from a country defined by a few large corporations into an entrepreneurial society. We transform America back into a nation of entrepreneurs.

We can no longer govern America as if what's good for GM is good for America. In fact, what was good for GM in the 1950s and 1960s has proven to be toxic to GM in the 21st century, so what *was* good for GM *isn't even good for GM*.

Instead, we need to return to our roots, where American ingenuity, grit, and resourcefulness transformed a wild land into the greatest country on Earth, and invest in Americans instead of multinational corporations.

We need to transform America back into an entrepreneurial society and use our independence, creativity, and unbounded productivity to take back our means of production, our means of income, and create our own jobs.

How to save jobs? Create them ourselves.

The challenges of small business

America is somewhat uncomfortable with small companies, freelancers, and those who work at home. You can see this discomfort manifested in a lot of different ways that serve to not only make it harder for small businesses to succeed but also to demoralize and disincentivize business owners, acting as a social barrier of entry into entrepreneurship.

We see it in government policy, and more subtle things. The IRS has long had a major prejudice against home-based businesses, making it very hard for someone working from home to deduct a portion of mortgage or rent expenses. Not only is health insurance a total nightmare for many freelancers and small business owners, but many self-employed individuals find themselves double-taxed, paying for health insurance and yet not allowed to deduct it, something most larger businesses get to do as a matter of course.

Access to capital to build a business is difficult as well. Although venture capital is one obvious way to start a company, most small businesses and freelancers don't fit the very specific model that attracts VC capital. In fact, most small businesses don't fit the model that would allow them to get bank loans. Even though the Small Business Administration can help by guaranteeing certain loans, bank loans to small businesses are still extremely difficult to get. Often the terms of the loan aren't conducive to growing a small business.

Then, of course, there's the prejudice. Small business owners and freelancers often face the concern among clients that they're not big enough, not reliable enough, not capable enough — just not as good as larger companies providing similar services. Yet, in many cases, small businesses and freelancers can outperform larger businesses in both expertise and dedication to quality.

Small business owners and the self-employed also face levels of discrimination from family and friends. I've spoken to many small business owners who can't seem to convince their families that just because they have their own business, that doesn't mean they can take time off any time they want. They also struggle with the perception that their job isn't as important, prestigious, valuable, or even as monetarily viable as their previously cubicle-centric career.

In fact, most small business owners and freelancers work far more than the typical 40 hour work week. Many earn considerably more than when they worked the 9-to-5 lifestyle.

Starting a small business or going freelance is a lot of work. You have to come up with a business premise, create your product or service, figure out your mission, manage your marketing, get customers, deliver value, collect payment, and manage cash flow. You have to jump through all sorts of government paperwork and tax hoops, most of which differ from state to state.

According to the Bureau of Labor Statistics, 80% of new establishments survive their first year, but, on average, only about 45% make it four years or longer. The information industry (think "dot-com") fared the worst, with less than 40% of new businesses surviving four years. On the other hand, health and education services were the most robust. Almost 55% of health and education services lasted through their fourth year.

Business is business

Business is business. No freelancer or small business owner I've ever met would expect the U.S. government to run his business, figure out his business model, make her sales, build her products, or deliver his services. Quite obviously, the U.S. government can't take on the responsibility of coming up with new business schemes for any American who wants to go into business.

Where the U.S. government (as well as state and local governments) can help is to reduce the friction involved in starting and running a company. They can make it easier to get started, reduce the insane amount of paperwork, and create incentives to help more Americans take control of their own means of income.

Unfortunately, there's no single Holy Grail that'll automatically increase the success rates for small businesses and freelancers. There are a number of factors that make being successful difficult. On the other hand, there *are* policy changes and improvements that can substantially improve the small business success rate, and — not incidentally — create more sustainable jobs in the process.

Here's an interesting set of numbers from the Bureau of Labor Statistics. Across all business sectors, a business that survives a year will employ 4.6 employees. A new small business that survives its fourth year will employ 7.2 employees.

What does that mean in terms of our quest to create 30 million jobs in the next five years? If we were to rely solely on turning our unemployed into entrepreneurs, we'd need to create 4.1 million new, survivable small companies (30 million divided by 7.2 employees).

That's a high bar. According to the U.S. Census Bureau, 824,921 new businesses were "birthed" in 2006 (the latest year reported). That same year, 702,201 businesses were shuttered, for a net gain of about 123,000 new establishments.

That's still a lot of new businesses, but if we're going to absorb millions of new employees, business-as-usual will not create enough new businesses to sustain the number of people needing work.

Fortunately, we don't actually need to create 4.1 million new companies. All we need to do is help make our existing small businesses slightly more successful.

I asked Kristie Arslan, Executive Director (Legislative Offices) for the National Association for the Self-Employed (NASE) to provide some hard-to-find statistics on sole proprietorships and very small businesses. She told me that, in the 2006 tax year, there were 22.1 million sole-proprietors in the U.S. according to the IRS. According to the Census Bureau, in 2007 there were 21.7 million nonemployer businesses in the United States.

All told, there are about 43 million sole proprietors and very small businesses in the United States. If just half of these very small companies hired just one person, we'd completely solve our unemployment problem.

That's doable. That's actually doable.

While it's certainly not possible to create 50 new IBMs or Microsofts within a year or two, it is absolutely possible to create a business climate where half of our smallest companies can hire *one* additional employee.

We *can* do this. We *can* employ our unemployed Americans. It is *actually* within the realm of practical possibility. And that's very good news, indeed.

CHAPTER 11

Working green by working from home

Back in the mid-1980s when I started my first company, I worked out of my one-bedroom apartment for almost six months, until I'd hired some staff and rented office space. Back then, there was a tangible business prejudice against people working from home — and for good reason.

We didn't have the technology resources we have today. Faxes were just beginning to find their way into business, email was rarely used to communicate outside of the walls of a given company, there was no such thing as video conferencing, desktop sharing, voice over IP, or any of the other remote work technologies we now take for granted.

Each person who works from home is someone who's helping to save our resources, our roads, our air, and possibly the planet itself.

In a strange foreshadowing of today's virtual assistant, a few weeks after I started my first company, I hired an answering service. They set up a special patch line, answered my phone, and then called me to patch calls through. All of that was because the distributors who I called on to sell my software products categorically refused to deal with any companies they perceived as too small.

While there will always be some prejudice against working from home — particularly among those people who drive hours each day to work — working from home is now a much more well-accepted mode of doing business.

Working from home is not just for small businesses.

I work regularly with senior executives at very large companies who work from home, with home offices often halfway across the country from the divisions or departments they manage.

While the benefits to the newly minted entrepreneur are obvious, many larger companies are embracing the work-at-home work style because it saves money and time. Rather than having that key employee in the car for two hours a day, that time can be better put to work at home. Office space doesn't need to be rented, furniture doesn't need to be purchased, power for heat and air conditioning an office isn't consumed (although that might be balanced by home consumption), and there's a lot less internal battling over who gets the office or cubicle near the window.

There are challenges, of course. If you work from home, you need to be more responsible for your output. If you're an employee, you have to establish trust with your managers. You have to set boundaries with your family and you have to develop the discipline to stay away from the TV — and the fridge.

Another challenge, one we discussed in an earlier chapter, is that once you've convinced your boss your job can be done from a few miles away, what's to stop him from sending it across the ocean to India or China?

There's also the very real issue of isolation. Working from home tends to reduce those water-cooler moments, the times you stand and chat and brainstorm with colleagues. I honestly think that one of the reasons Twitter and Facebook have blossomed is that they take the place of water cooler chatter. Rather than asking Bill what he's working on while walking back to your cube from the men's room, you can see his updates from his Twitter feed.

This level of short communication is not to be discounted, but it'll never take the place of rubber-band wars, fought over the rims of cubicle walls while the departmental administrative assistant was at lunch. Ah… the memories.

Home work is green work

There are enormous societal benefits to working from home, but no one is really aware of them. Working from home is ultimately green.

According to an ABC News/*Washington Post*/*Time Magazine* poll taken in 2005, "220 million adults average an hour and a half a day in their cars." 60% admit to driving "well over the speed limit," 62% say they get frustrated from time-to-time, 40% claim the get angry, and 20% admit they sometimes "boil into road rage."

That's 44 million people experiencing road rage. That's a lot of boil. In fact, 41% report seeing road rage, and 54% claim they "often see other drivers making angry or impolite gestures."

I used to commute from Berkeley to Mountain View, across the San Francisco Bay Bridge. If driven at 3AM, it would take only 45 minutes. But during rush hour, my commute took me more than two hours each way. I only lasted five months with that commute, and then I moved closer to work. My new commute was *only* a 50 minute bumper-to-bumper drive, each way.

The ABC poll shows that most workers' commute times can vary from day-to-day by as much as 27 minutes each way — with a good trip to work taking an average of 19 minutes and a traffic-filled trip taking as long as 46 minutes. ABC says the average is 52 minutes on the road commuting, overall, over an average round trip distance of 32 miles.

A 2007 Gallup poll reflects some of the ABC News numbers. According to Gallup, workers spend an average of 46 minutes commuting round trip, with 85% driving themselves, 6% riding with someone else, 4% taking mass transit, and 3% walking.

If the average commuter takes 52 minutes to go 32 miles, that means the average commuter is driving at 37 miles an hour. Obviously, drivers go slower getting to and from the highway, and start and stop traffic takes longer than cruising at highway speeds, but let's just be simple and work with 37 miles an hour.

According to a 2007 United States Census report, 77% of American workers drive themselves to work, alone. So let's work with that. As you'll recall from an earlier chapter, there are roughly 234 million Americans in the civilian, non-institutional population. Let's drop out the 20 million or so we know are not working right now, which leaves us with 214 million Americans.

214 million American commuters.

That gives us about 164 million Americans who drive themselves to and from work. Multiplying 164 million by the average daily trip distance of 32 miles, we get 5,248,000,000 miles driven by American commuters each day. If the zeroes are getting to you, that's 5.2 billion miles driven each day.

Are you sitting down? That's 1.9 *trillion* miles driven by American commuters each year.

Now, let's have some fun. Just how much fuel are we consuming by commuting? This is not an easy number to come by, so we'll be conservative again, in order to present the best-case scenario. Newer cars get better gas mileage, so let's just assume everyone's driving a 2009 model-year vehicle.

According to the U.S. Department of Energy, the most fuel-efficient regular ol' gasoline vehicles were teeny-weeny two-seaters, which averaged 33 miles-per-gallon in the city and 41 on the highway. Of the 16 cars rated as most fuel efficient, the worst of these most fuel efficient rated 18 miles-per-gallon in the city and 27 on the highway.

We all know that your fuel economy is better on the highway and worse in city. And we also know our average driver is driving at 37 miles an hour, so we'll just take the highway and city miles-per-gallon numbers and average them.

So, just for the sake of our quick analysis, let's assume that the average driver gets about 22.5 miles-per-gallon commuting to work, which fits the mileage for an average American commuter vehicle.

Remember our 1.9 trillion commuter miles driven each year? If we divide that by 22.5 miles-per-gallon, we'll discover that American commuters use about 85 billion gallons of gasoline each year.

85 billion gallons.

Gasoline prices have been all over the map, but let's just say that gas is $3 per gallon. That means American commuters spend about $255 billion per year just to commute to work.

I found it somewhat difficult to find average carbon footprint measurements for all these commuters, so I took the easy way out and used the "carbon footprint calculator" at TerraPass.com, a tool created by Dr. Karl Ulrich of the University of Pennsylvania. It's not an official, unimpeachable source, but it's probably good enough for some rough estimates.

According to the TerraPass calculator, our average commuter generates 7,114 pounds of carbon dioxide per year, simply driving to and from work. Calculated out nationally, that's 1,166,696,000,000 (1.16 trillion) pounds of carbon dioxide generated each year simply by commuting Americans, just during their commutes.

Let's recap some of our numbers. First, let's look at individual commuters:

- 52 minutes commuting each day, for about 225 hours a year (that's almost six full, 40-hour work weeks, just commuting)
- 32 miles round trip, for about 8,320 miles driven a year
- 22.5 miles per gallon, for about 369 gallons of gas consumed per year
- $3 per gallon, for about $1,109 spent per person commuting, and
- 7,114 pounds of carbon dioxide released each year commuting

Now, let's look at this across America, for a full year.

- Americans spend 36.9 billion hours a year, commuting
- Americans drive 1.9 trillion miles commuting each year
- Americans spend $255 billion just for the gasoline to commute
- Americans consume 60.5 billion gallons of gasoline (the capacity of 1,298 Exxon Valdez tankers, fully loaded) each year to commute
- Americans release 1.16 trillion pounds of carbon dioxide into the air while commuting.

Remember, that's a conservative estimate; it doesn't include how much of our taxes goes to road maintenance, how much we spend on cars, how many cars become scrap material, the cost of day care for working parents, and on and on and on.

What if more Americans worked from home?

Clearly, if more Americans worked from home, it could be very, *very* good for America:

- We'd reduce our reliance on foreign oil
- We'd reduce pollution
- We'd reduce global warming
- We'd regain billions of hours of productivity and family time
- We'd save a ton of money
- We'd reduce our costs for road construction and highway maintenance
- We'd even probably reduce the number of latch-key kids

That's why it's so unfortunate that the IRS seems to distrust some home-based businesses, home offices, and people working from home. According to *BusinessWeek:*

> *The home office deduction acts as something of a red flag to the Internal Revenue Service because it can easily be abused by small business owners who claim a larger home office than they actually have, or who deduct expenses for an office that is not truly dedicated to business use.*

Instead of using a home office as a red flag, U.S. tax policy needs to encourage working from home. Part of the problem is that deducting a home office is a complex process. One way to encourage working from home is to establish a standard home office deduction, that can simply be checked off as part of the tax preparation process. This would still allow for itemizing more complex home office expenses, but make it easier for most home workers.

I went back to Kristie Arslan of the National Association for the Self-Employed and asked her if they'd considered a policy for this. She told me:

> *The NASE believes that the home office deduction must be simplified and expanded to allow home-based businesses to easily utilize this tax benefit. We support the creation of a standard deduction option within the range of $1,500 to $2,000. Home-based entrepreneurs qualifying for the deduction could choose between selecting the simple, standard deduction or itemizing if they feel they would receive a larger tax benefit.*

I'd actually recommend going further than this. Rather than providing a relatively minor standard deduction — which, admittedly, would reduce audit risk — I'd like to see an aggressive program that actively encouraged working from home, perhaps in the form of a tax credit.

So many of our nation's mission-critical challenges could benefit if millions of Americans transitioned from commuting to working from home. I'd like to see a program that provided a credit for the number of days worked from home or some other metric that was both easy to calculate and a strong incentive.

Perhaps this could be extended to employers as well, with deductions or credits that encouraged employers to encourage employees to work from home — as long as those homes are in the United States, of course.

But there's more to this than just tax policy. As with other aspects of changing how we function as a nation, our perception of ourselves has to change as well.

Changing hearts and minds

During World War II and after the Great Depression, the United States government set out on what, today, we'd almost call a propaganda campaign. The government's campaign was designed to educate Americans on values that would be helpful in a recovery. Yes, I know. If we did that today, Glenn Beck would have a coronary. But we're talking history here.

As part of the New Deal, President Franklin D. Roosevelt created the Works Progress Administration. Although not without its critics at the time, the WPA was considered to be the nation's largest employer and helped drive recovery from the Great Depression. One of the more interesting and enduring aspects of the WPA was its employment of artists and other creative people.

Early on, the WPA employed mostly construction workers and traditional tradesmen. But, according to Margaret Bing, Curator of the Bienes Center for the Literary Arts, "Federal Project No. 1 of the Works Progress Administration was developed to give artistic and professional work to the unemployed who qualified."

According to Bing (the arts curator, not the search engine):

> *Federal Art Project (FAP) began as a part of Federal One with Holger Cahill as its director. By March of 1936, regional field offices were established throughout the country employing as many as 6,000 people. Fifty percent of the FAP workers were directly engaged in creating works of art, while 10 to 25 percent worked in art education; the rest worked in art research.*
>
> *By 1938, 42,000 easel paintings and 1,100 murals in public buildings were commissioned. Large numbers of sculptures, silk-screen prints, posters, and other graphic works were also made, and the FAP frequently worked*

in cooperation with the Federal Writers' Project to design covers and illustrations for its publications.

Many of these images were used to communicate values and messages, like those shown on the next page.

If you look carefully, you might notice one poster that's particularly familiar. Have you noticed it? It's the one on the upper, right of the page with the caption "Work With Care." According to the United States Library of Congress WPA Poster Collection, this particular WPA poster was created in 1936 or 1937 in Pennsylvania by an artist named Robert Muchley.

The art from Mr. Muchley's poster is also the cover illustration for the book you're reading now, and it was chosen for a reason. I believe that if we're going to transform our approach to jobs in America, the motivations can't just be the result of legislative changes or come from simply hacking our tax policy.

Instead, I believe we have to change how we think about jobs and some of our core values here in America. For example, instead of discouraging home workers, we need to change our value system so we celebrate home workers, because each person who works from home is someone who's helping to save our resources, our roads, our air, and possibly the planet itself.

As you read through this book, think about ways in which our relationship to employment and income production needs to change. Whether or not we can save jobs in America may well depend on changes not only in policy, but in attitude.


TO-DAY
IS ANOTHER DAY
MAKE IT SAFE
WORK WITH CARE
this is the MARKET where the storekeeper buys the food and brings it to his store near your house
RIDE TOGETHER
WORK TOGETHER
SAVE RUBBER
FOR VICTORY
protect your HANDS!
you work with them
SEW
FOR VICTORY
ARE YOU HELPING? WITH SALVAGE
WAR PRODUCTION BOARD – DESIGNED & PRODUCED BY WORK PROJECTS ADMINISTRATION SO.CALIF.

Healthy bicycle commuters

While I was writing this chapter, one of my Twitter followers pointed out that not all commuters drive cars. He asked, what about people who ride bicycles to work?

According to a Portland State University study, about 1% of commuters ride a bike to work. While those 1.6 million commuters are certainly fitter than the rest of us, they're already part of the solution. Bike commuters (and those who walk to work) neither pollute — and the natural cardio exercise of their commute often makes them healthier than the rest of us.

CHAPTER 12

America buys American

Pop quiz: how many jobs can you create or save with $100 billion?

Answer: At an average of $50,000 each, you can create or save 2 million jobs with $100 billion.

Given the results of our quiz, you would think, wouldn't you, that if the United States Government were planning on spending a $100 billion dollars on, say, a new airplane, it would want to buy it from an American company?

You'd think that. But you'd pretty much be wrong.

The KC-135 saga

When the United States Air Force set out to replace its aging fleet of KC-135 refueling tanker planes, it looked at replacement flyers from Boeing (an American company) and Airbus (a company based in the European Union).

The United States has a lot of these KC-135s, many of them 50 years old, and replacing them would big a big purchase. In fact, with an overall total procurement cost of $100 billion, it'd be the single biggest procurement the Air Force has ever made, according to *The New York Times*.

As you might imagine with a $100 billion procurement, the issues are pretty complex. Boeing is an American company, but so is Northrop, the U.S. military contractor who fronted for Airbus in the bidding process. Northrop has promised to build plants in the U.S. to create American jobs and, by many accounts, the Airbus plane is actually a better plane than the KC-767 planes Boeing planned to lease to the Air Force.

The process was a mess. An Air Force procurement staffer, one Darleen A. Druyun, was negotiating for a job at Boeing while awarding the first stage of the contract to — you guessed it! — Boeing. She was sentenced to nine months in jail. Boeing Chief Financial Officer Michael Sears was sentenced to four months. Boeing CEO Philip Condit resigned.

The Air Force also fined Boeing $615 million, essentially as punishment for Boeing's slimy behavior in the deal.

But the Air Force still needed new tankers, and while the Boeing plane apparently could do the job, the Airbus A330 MRTT tanker was a cheaper solution. According to a *Washington Post* article in 2008, John Young, the Air Force's undersecretary for acquisition, technology and logistics claimed the Northrop/Airbus bid for the first delivery of 68 aircraft was $3 billion cheaper than Boeing's. $3 billion is a lot of money.

Of course, as soon as the American public (and certain opportunistic politicians) found out that the Air Force was about to award what would eventually be a $100 billion contract to the European Airbus plane, instead of the American Boeing plane, all hell broke loose. More on that later.

Hiring the fox to guard the henhouse

Most Americans can readily recall the terrifying moments of that sunny morning on September 11, 2001. Terrorists attacked the United States and killed thousands of American citizens. According to *The New York Times:*

> *Fifteen of the 19 hijackers were Saudis, a number of them young men recruited only a few months before the attacks. Of the four others,*

one was Egyptian, one Lebanese and two were from the United Arab Emirates.

Given that all the terrorists were from the Middle East, and two of them were known to be from the United Arab Emirates, you'd think, wouldn't you, that if you wanted to protect key U.S. shipping ports — areas of particular vulnerability to terrorist attack — you probably wouldn't want to hire a company based in the United Arab Emirates to run our ports here in America.

You'd think that. But you'd be wrong.

Bizarrely enough, many of America's mainland ports are not managed by Homeland Security, the Coast Guard, or even American companies. In fact, since 1999, America's ports in New York City, Newark, Baltimore, Miami, New Orleans, and Philadelphia have been managed by Peninsular and Oriental Steam Navigation Company, a British company.

At least 10% of all the taxes we pay in America go to employ people outside the United States.

Then, in 2005, a company called DP World purchased the Peninsular and Oriental Steam Navigation Company for $7 billion. What makes this particularly interesting is that the "DP" in DP World stands for "Dubai Ports." DP World is a subsidiary of Dubai World, a company owned by the government of Dubai in — you guessed it! — the United Arab Emirates.

At this point, you'd think the U.S. government would issue a "Nice to see ya, wouldn't want to be ya," order to DP World, yank the management contract for the ports, and deal with any litigation fallout as it came. After all, these are our ports and America's security comes first.

You'd think that. But you'd be wrong.

Instead, then U.S. President George W. Bush argued strongly for the deal to go through. Former 2008 Presidential candidate John McCain supported the deal, as did former 1996 Presidential candidate Bob Dole, who was actually being paid by the United Arab Emirates to lobby for the deal.

Proving once again that politics can make no sense whatsoever and even stranger bedfellows, former Democratic President Bill Clinton was advising the UAE on how to close the deal while at the very same time, then Senator Hillary Clinton opposed the deal.

Former Democratic President Jimmy Carter also supported the deal while South Carolina Republican Lindsey Graham was against it.

The chattering class also couldn't agree on whether this was a good idea or a bad idea. Conservative commentators Bill O'Reilly and Rush Limbaugh were all for the deal, while equally far-right commentators Sean Hannity and Michael Savage were against it.

Eventually, according to *The Wall Street Journal,* DP World backed out of running America's ports, selling their interest to that monument of American operational efficiency and responsibility, AIG. Yep, *that* AIG.

AIG, or American International Group, was founded in China in 1919. But it's their recent behavior that is of concern. This is one of the companies that got itself so over-leveraged on subprime mortgages that it had to turn to the U.S. taxpayers for more than $173 billion in bailouts.

Of course, your taxpayer money didn't just stay with AIG. Instead, AIG executives decided to pay themselves $1.2 billion in bonuses with U.S. taxpayer money, take a private jet to England to hunt partridges (Danny Bonaduce not included) with U.S. taxpayer money, and send their executives to luxurious California spa retreats, with U.S. taxpayer money.

Then, according to *Reuters,* they gave away billions of U.S. taxpayer money to Goldman Sachs Group Inc, Deutsche Bank AG, Merrill Lynch, Societe Generale, Calyon, Barclays Plc, Rabobank, Danske, HSBC, Royal Bank of Scotland, Banco Santander, Morgan Stanley, Wachovia, Bank of America, and Lloyds Banking Group.

At this point, the thinking American has to wonder: would we have been better off with the security of our ports in the hands of the United Arab Emirates or the crooks at AIG?

Your tax dollars at work

Remember Halliburton? Dick Cheney certainly does. Former Vice President Cheney was chairman and CEO of Halliburton just before he became Vice President.

When Mr. Cheney left Halliburton, he left a very wealthy man, with a severance package totalling some $36 million, according to the U.K.'s *Guardian* newspaper.

Halliburton, of course is the company that made $16 billion performing services in the Iraq war and particularly distinguished itself by, according to the *Washington Post,* charging U.S. taxpayers "$45 per case of soda, double-billed on meals and allowed troops to bathe in contaminated water."

You'd think an American company, a company that profited so handsomely from the Iraq war, a company headed by a man who would become Vice President of the United States, you'd think *that* company would be proud to be American. You'd think *that* company would put America first. You'd think that the largest recipient of U.S. military contracts in Iraq wouldn't relocate out of America just to reduce its taxes.

You'd think that. But you'd be wrong.

According to ABC News, in 2007 Halliburton announced its intention to move its CEO and corporate headquarters from Houston to Dubai, located in — man, this is getting old — the United Arab Emirates.

ABC's Jake Tapper reported some concerns:

> *The move could eventually save the firm a fortune in U.S. taxes, but it is raising serious questions about its priorities and prompting at least one possible congressional hearing.*
>
> *The move may raise serious national security questions too, as happened last year with the canceled port security contract with another U.A.E.-based company, Dubai Ports World.*

First we tried turning over the protection of our ports to the United Arab Emirates, and then our single largest military contractor in Iraq is moving its headquarters there.

I'm not feeling more secure. Are you feeling more secure?

Just in case you think Halliburton is the only huge beneficiary of U.S. tax dollars running away from paying its U.S. taxes, I'd like to turn your attention to Accenture, a consulting spin-off from accounting firm Arthur Anderson.

In case you've forgotten about Arthur Anderson, it was once a Big Five accounting firm — at least until it turned over its CPA licenses after being found guilty of cooking the books for Enron, resulting in the loss of 85,000 jobs.

Anyway, according to the *Associated Press,* Accenture did nearly a billion dollars in business with the Transportation Security Agency in 2001 and 2002. But to avoid paying taxes, Accenture decided to move its corporate headquarters to Bermuda (a country the Government Accountability Office calls a "tax haven country") and announced in 2009 that it was again moving its corporate headquarters, this time to Ireland.

That's all well and good, but Accenture's had its share of problems. According to a September 17, 2007 statement issued by the State of Connecticut, office of the Governor, a backup tape was stolen from state offices. According to the statement:

> *Governor M. Jodi Rell today announced that a review of data removed from Connecticut's CORE-CT computer system by Accenture — a consultant to the Office of the State Comptroller and other state agencies — shows an "unfathomable" violation of information security, including nearly all state government bank accounts.*
>
> *The review on Saturday shows an unfathomable breach," Governor Rell said. "The tape contains information on nearly every bank account held by state agencies — including checking accounts, money market accounts, time deposit accounts, savings accounts, trust fund accounts, treasury and certificates of deposit — which could total billions of taxpayer dollars. The tape lists agency names, account numbers, bank names and types of accounts.*

> *"The analysis also found the account numbers of numerous state procurement cards — known as 'P-Cards' — most of which were fortunately out of date," the Governor said. "The tape contains the names and Social Security numbers of dozens of Connecticut taxpayers, as the Comptroller's office revealed late Friday afternoon. And it contains numerous detailed documents from the development and implementation of the CORE-CT project."*

It gets better. Well, technically it gets worse. According to Lou Dobbs, reporting in *U.S.News & World Report:*

> *The federal government last week awarded the multibillion-dollar U.S. Visit border security contract to Accenture LLP. The contract is to monitor visitors who enter the United States by air, sea, or land and could be worth as much as $10 billion over 10 years.*

Accenture is another American company getting billions of taxpayer dollars in government contracts — and leaving the U.S. to avoid paying taxes on it.

Worse, yet another foreign company has been handed the keys to America's security. This time it's not the ports, it's border security. And this time, it's to another company that can't seem to stay out of trouble.

We've handed some of our border security over to Accenture, the very same company that committed an "unfathomable violation of information security" in Connecticut and has as its ancestry the company that scammed us with Enron.

I'm not feeling more secure. Are you feeling more secure?

Oh, and in case you were curious, two *actual* American companies wanted that border security contract. Dobbs reports that both Lockheed Martin Corp. and Computer Sciences Corp. submitted bids on the deal and lost.

Less heinous, but no less troubling is a report from the August 10, 2009 issue of the India Times. According to the article, Indian IT companies Infosys Technology and Wipro Technologies are setting up data centers to tap into the U.S. government's $100 billion IT outsourcing operations.

Wipro is already making serious bank, having landed a "nine year $407 million outsourcing contract from State of Missouri for delivering health care services to U.S. citizens." Just how much of our confidential information is going to wind up in foreign databases?

I could go on and on with example after example, but you get the point.

American state and federal governments aren't just sending our tax dollars overseas and our jobs overseas. They're also handing over our physical, border, and information security to foreign corporations, in some cases to corporations operated by the governments of the countries that attacked us.

I'm not feeling more secure. Are you feeling more secure?

Saving jobs by spending American

Remember back to our problem statement: we need to create 20-30 million jobs. One big way we can save or create millions of new jobs is by not sending multiple $100 billion dollar contracts to non-U.S. companies.

America brings in about $2.6 trillion in tax revenue. Each year, we spend that, plus another $1.8 trillion or so (not counting all the new spending from the various Great Recession stimulus spending). That's a heck of a lot of money — pretty much the world's largest economy.

But we're actively funneling much of that money — our money, taxpayer money — to other countries. That money isn't just the interest we have to pay on our loans, which is off the charts, it's the stuff we have much more control over — our government contracts.

I haven't yet found a comprehensive accounting of just how much of America's yearly taxes are sent overseas to foreign employers, but just the short list I've presented here is well in excess of $260 billion. That means that at least 10% of all the taxes we pay in America go to employ people outside the United States.

That's just wrong. It needs to stop.

America needs to buy American.

America is not without its craptastic conglomerates. Boeing, AIG, Arthur Anderson, Halliburton are all as blue-chip as they come, and they've all at various times distinguished themselves by being as scummy as they come (the last two relocating offshore to avoid paying taxes on the money they got from American government contracts).

If you were to compile a list of America's greatest companies, you'd see a virtual rogues' gallery of bad behavior. But they are *our* companies, *American* companies, at least those that don't run offshore to hide from their tax obligations. Disrespecting America like that! They should be ashamed.

If we truly want to save jobs here in America — and we'd better, or we're pretty much destined for also-ran status — one very powerful way would be to channel *all* of the U.S. government's contracting dollars to American companies and American employees.

Obviously, this isn't as simple as it sounds. First, we have to overcome the *scumbagitudinal* nature of the typical government contractor. We'd need to combat waste, price rip-offs, poor product delivery, and lobbyists who can somehow buy an American legislator or procurement officer for less than the cost of a single Cadillac Escalade.

But it is doable. Let's go back to the example of the KC-135 tanker replacement contract. That's a $100 billion contract. When it looked like they were going to lose the contract, Boeing's executives simply procured the procurement officer from the Pentagon. The Air Force rightly slapped them down.

But — and here's where it's time for American legislators and American companies to grow a spine — are you telling me, for a $100 billion contract, that Boeing couldn't work out a design that actually met the Air Force's needs? Of course not. It was just easier and more profitable for Boeing to take the underhanded approach.

Northrop, of course, is also an American company. Their theory was that since they haven't done anything (that they've been caught at, at least) that's unethical, and they too have a fine product, they should get the business. But, of course, the product they were representing wasn't American.

America has passed its share of Buy American acts before. The Buy America Act and the Buy American Act (with an 'N') are two different acts. The first (sans 'N') is a transportation act for procurements over $100,000. The second, (with the 'N') specifies government procurement preferences, but it's rife with loopholes, exceptions, and NAFTA-related clauses.

Recently, in the February 2009 stimulus bill, there were initially provisions to force manufactured goods purchased by Americans with stimulus money to be from America. People (and when I say "people," I mean lobbying groups) flipped out. Eventually the provision was removed from the Senate version of the bill. Both Senator McCain and President Obama urged the provision be removed, because "We can't send a protectionist message," according to the President.

Yes. Yes, we can. In fact, we *need* to send a protectionist message. Our workers need to be protected. Right now, there are millions of American jobs going overseas, not because someone chooses to buy a Subaru or a Toshiba, or even an iPhone, but because the United States government has decided it wants to send American taxpayer money to other countries.

Many of these countries have a competitive advantage over American employers because employers in those countries don't have to pay for health care due to nationalized health care systems — or they don't have to pay for health care because there are no unions, no worker rights, and no one cares.

American foreign trade policy is a careful dance. We export a lot of products and we don't want our goods to be blocked at the borders of other countries. So we try to set an example and hope our trading partners don't take advantage of us. Guess what? They do.

Here's the thing: we need to protect Americans. We are currently in a competitive climate such that if we don't funnel our own purchases (or at least our own government purchases) to Americans, we may not have enough business activity to employ all the Americans who need jobs and who want to stay in the middle class. And we definitely wouldn't have enough jobs to employ those Americans who want to lift themselves out of poverty.

Given the choice of having to explain to France why we didn't buy a big airplane from them or having to explain to 100,000 steel workers why they're now going on food stamps, I'd much rather tell France the bad news.

The argument is always back and forth. If we restrict any sales to other countries, they'll retaliate by not buying our stuff or adding to tariffs, increasing the cost of our goods.

Whine, whimper, cry.

The fact is, foreign countries need our markets as much as we need theirs. In fact, they usually need our consumers more than we need theirs, because we consume so very well.

So here's the thing. It's perfectly fine to keep the consumer markets open and flowing in both directions. When the IRS takes in tax dollars from Americans, those dollars *must* be spent back out again in America.

It would solve more than 10% of our almost unsolvable unemployment problem. And in the end, it's also good for our trading partners if the U.S. government buys from American suppliers — and buys goods that are nearly 100% made of American components.

The more Americans are employed, the more they'll buy. Those millions of Americans could then afford to be middle class consumers again, and the likelihood is they'll buy goods not only from America, but from Japan, Korea, China, Germany, France, and all the others.

Frankly, it's probably also good for everyone if all of the state governments did the same thing, but getting 50 American states to work together for the common good is like getting a herd of cats to perform the *Nutcracker*.

How much of that is American?

But how much of what we buy is actually American?

Virtually every product we buy is either built outside of the United States or has components that were built outside the United States. Even your iPhone.

Apple has a nice little tag-line they put on every iPhone: "Designed in California. Assembled in China."

So what is America's share of the iPhone? How much of the $199 you spend goes to America, and how much of it goes to China and elsewhere?

This is actually a much harder question than it might seem, because, according to market analyst iSuppli, it costs $178.96 to build a $199 iPhone 3G S:

- Toshiba provides the 16GB flash memory module for $24.00
- Samsung provides the application processor for $14.46 and the SDRAM module for $1.25
- Infineon provides the telephony chips for $13.00, the GPS receiver for $2.25, and the power integrated circuit for $1.25
- Broadcom provides the wireless networking chips for $5.95
- Numonyx provides the memory multichip pack for $3.65
- Murata provides the finite element array for $1.35
- Dialog also provides another power circuit for $1.30
- Cirrus Logic provides the audio codec for $1.15

In addition, the display costs $19.95, the touch screen costs $16.00, the camera module costs $9.95, and a variety of miscellaneous doodads cost $48.00.

If you've been following along, and adding up those numbers in your head (you, have, haven't you?), then you'll notice that the total comes to $172.46, not

$178.96. Where's the other $6.50? That is what iSuppli attributes to manufacturing costs, or what I'm assuming are really the assembly costs, since each individual component listed above also has a manufacturing cost.

Let's look at some of the companies mentioned. Toshiba and Murata are Japanese, Samsung is Korean, Infineon and Dialog are German, and Numonyx is Swiss. Broadcom is actually American. So is Cirrus Logic, but that company is "fabless," which means it doesn't fabricate any of its designs. So while it provided the audio codec design, the actual chip was manufactured ("fabbed") somewhere else.

Although the iPhone comes from an American company, companies headquartered in Japan, Korea, Germany, Switzerland, and China all get a piece of the action.

And then, there's AT&T. When you buy an iPhone, you also have to buy a cellular phone service contract from AT&T. AT&T pays some of that contract back to Apple, contributing to Apple's profits. For many mobile phones (especially smart phones), the phone is actually more expensive to build than its sale price, but the cost is subsidized by the service fees.

So what's America's share of the iPhone? Is it just the $5.95 for the Broadcom part, plus the profit Apple makes? Or is there more, given how much Apple has invested in engineering costs?

It's very tough to determine and almost as hard to define. Is America's share just the percentage of the cost of goods sold that went to American workers? Is it a percentage of the selling price? Is it a combination of these factors, plus some contribution from the AT&T phone service fees?

What if Broadcom uses offshore designers for some of their work, or Toshiba makes its chips here in the United States? What then?

What is America's share?

One of my key recommendations is to only send U.S. government contracts to American companies for American goods and services. But to make that possible, it's going to be necessary to determine how much of a given product is made in America, from American components.

We've seen how challenging that is with the iPhone. Aircraft like the KC-767 or AC330 mid-air refueling tankers have tens of thousands to hundreds of thousands of parts. Heck, the old KC-135 has more than 32,200 steel fasteners and 19,500 aluminum rivets alone, according to Boeing.

If we're going to demand, say, that Boeing get the tanker gig instead of Northrop, primarily because Boeing is supplying a U.S.-built aircraft and Northrop is supplying a European, it'd be good to know how much of the each aircraft was actually American.

Northrop plans to set up factories here in the U.S. for assembly, bringing thousands of jobs Americans. According to the Web site GlobalSecurity.org, "Boeing's proposed tanker includes parts manufactured in Japan, United Kingdom, Canada and Italy," and "Northrop Grumman's tanker includes parts built in the United Kingdom, Germany, Spain and France — countries exempt under the Buy America Law."

Once we really know how much of a product is actually American, we can make some decisions. For example, if we were to enact the policy I recommended above, we could perhaps limit the government to purchasing products that had an America's Share of at least 95%. And if that information were available on products you and I buy, we could know whether or not that Honda Accord built in Ohio had more of an America's Share than, perhaps, that Chevy Equinox, with parts made in China. Even that most American of cars, the super-hot Chevy Camaro isn't built in the U.S. It's built in Canada, right across the border from Detroit.

Knowing America's Share, we could then make a decision. Let's say the Honda actually had an America's Share of 70% and the Chevy had an America's Share of 45%. Then we might decide to buy the Honda, even though it appears to come from a Japanese company. Please note that I just picked percentages out of the air for the Honda and Chevy above. Right now, none of us have any real idea what the real America's Share is for most products.

America's Share is so important, it's become one of the flagship projects for the U.S. Strategic Perspective Institute.

In its first phase, America's Share will team up with process engineers, materials scientists, forensic accounts — experts at determining what really makes up products and where the money is spent. We'll create a clear and understandable set of guidelines for determining a number — between 0 and 100 — that constitutes America's Share for any given product.

Next, we'll go after determining those numbers using two separate approaches: careful analysis and the power of crowds. For some projects, like the KC-135 tanker replacement, we'll field teams of experts who will work independently to determine an America's Share rating.

But there are a lot of products out there, from bottles of Ketchup to coffee-makers to hub caps to complete automobiles. The only way we'll be able to approximate an accurate rating for all of these products is by using the same power of volunteers used by Wikipedia.

We'll create a Web site where anyone can go, help break down the elements of a product, and help us derive an America's share. It won't be perfect, but it'll be a far better start than anything that exists today.

So, how can you help?

First, if you're a process engineer, materials scientist, cost-of-goods accountant, or have any of the skills necessary for helping us determine America's Share, please contact us at HowToSaveJobs.org. And if you're a talented PHP and MySQL programmer and want to help us build the America's Share rating system, please contact us at HowToSaveJobs.org. If you're at a company and want to have one of your products rated and are willing to contribute to the project, definitely feel free to contact us at HowToSaveJobs.org.

You can also help by giving away free digital copies of *How To Save Jobs,* by volunteering to help out on our projects, and by contributing to the America's Share fund, which is operated by the nonprofit U.S. Strategic Perspective Institute. Inspired by the research in this book, we're working on solving some of America's toughest problems.

Eventually, I'm hoping you'll be able to go to AmericasShare.org to see any product that's been rated, contribute to the rating process, and be able to make your own, more informed buying decisions based on America's Share.

CHAPTER 13

How to save health care

If you use modern tools, writing a book these days can be a very collaborative effort. While writing *How To Save Jobs,* I regularly posted chapter notes to Twitter, talked to and interviewed hundreds of business owners, freelancers, and entrepreneurs, and was privy to analysis and reports from some of America's leading experts in a wide range of fields.

Leaving the health care and insurance system as it is would be nothing short of slow suicide for America.

Because I was able to run the "Health care hostage crisis" chapter on the Web site for the CNN prime-time *Anderson Cooper 360* program as a series of ten excerpted articles, I also had the benefits of comments from CNN's hundreds of thousands of viewers.

I also wrote this book during the firestorm that is America's attempt to pass health care reform legislation and so it's likely that by the time you read this chapter, we'll all know a lot more about how health care is changing than I do as I'm writing this.

Many of the participants in town hall meetings, a lot of the partisan press, bunches of bloggers, and a some of the people who commented on my articles on CNN expressed a desire for the system to remain unchanged. But every single small business owner, every single freelancer, every single unemployed person, and even every top Fortune 500 executive I spoke to — without exception — rated health care as their single biggest problem and the single most important item that needed to change for them to survive into the future.

Based on a lot of analysis as well as some of my own personal experiences as a small business owner, I believe that leaving the health care and insurance system as it is (at least as of the time I'm writing this) would be nothing short of slow suicide for America.

The problem with the health care debate in America is that universal health care hasn't been defined as a universal American value.

If left as-is, it is absolutely clear that more and more individuals and families will be simply priced out of the health insurance market and even those that are able to somehow pay for it all are likely to be left out in the cold if they get anything worse than a cold.

Unfortunately, I'm betting that Congress isn't going to pull it off. Even if, by the time you read this, they pass some health care legislation, I'm guessing they'll be missing what's really important.

Just before this book went to press, both the House and the Senate each passed their own versions of a reform bill. Each gets much of the problem wrong. Each reduces costs slightly, but still allows health care to be priced out of the reach of practicality. Each dumps most of the problem on employers.

The bills are virtually incomprehensible to the typical American. At just about 2,000 pages, the bill are long and convoluted to the point of near insanity. The entire Constitution of the United States fits on one large sheet of paper and Congress couldn't fit "make sure Americans can get health care" into less than two thousand pages? Really?

Some elements of the bill come from good intentions, but as you've seen in this book, and as I suspect you'll see as time goes on, any health care bill passed that relies on the employer to carry the load is likely to be a very costly and ill-applied Band Aid to a very critical problem.

In this chapter, I propose some approaches I think might really help.

If it ain't broke...

Former Senator and Presidential candidate John Edwards (philandering S.O.B. that he is) had a point. There really are two Americas, at least when it comes to health care.

For many people, America's current health care system works. It's keeping them alive, or it's keeping their loved ones alive. They're able to get wildly expensive procedures, go to the doctors they want, and get millions of dollars of medical care for very little out-of-pocket cost.

Those are the lucky ones.

But for many other Americans, the way our health care system "works" is an exercise in frustration, dismay, rejection, and — for some — a death sentence.

One of my best friends has a congenital heart defect. As he ages, it gets worse. He spends a lot of time in hospitals and although he's ambulatory, it's clear he's going to need more and more care over time.

He works for a very exclusive private school in a very exclusive community. They have exceptional health care, and so — to him — the health care system is excellent. It's keeping him alive.

Of course, his life now quite literally depends on his keeping his job. If he were to lose his job, there's every chance that after his COBRA expires he'd lose his health care. And then, he'd die.

I have another friend who's owns his own small business. He works for himself and has no employees. He's overweight but quite fit, exercises regularly, and has rarely ever needed any health care whatsoever.

He can't get insurance. He's tried insurance company after insurance company, but in the state he lives in, none will accept someone who weighs more than 250 pounds.

What's worse, he also can't go to a doctor. In his community, none of the local doctors will accept patients unless they have insurance. He's offered to pay in advance, but they won't let him in the door. If he does need to see a doctor, it's a four hour trip to the one doctor he's found who'll let him pay cash.

One of the comments I got from a CNN viewer was particularly poignant:

> *I am a 48 year old carpenter and I can't afford health insurance. I was diagnosed with Hep C. There is no way I can afford [cost of medication] so what I was forced to do was quit my job, move into my parents home... I don't like it, but I don't want to die.*

He doesn't want to die. How selfish of him.

Robin Miller used to be editor-in-chief of SourceForge, one of the dot-com darlings that's still around, but not quite as profitable as it once was. Robin's no longer employed there, and this is what he gave me permission to tell you:

> *My wife and I live an extremely frugal life. We have no mortgage on our tiny mobile home and the little lot on which it sits, and our two cars are paid for. We now buy everything cash instead of using credit.*
>
> *Medical insurance, at $1,050 per month, is not only our largest single expense, but costs more than all our other bills put together.*

Robin lives in a mobile home (in Florida, which means he's also at particular risk in the event of hurricanes or tropical storms) and his medical insurance costs more than all his other expenses, combined. Were his medical insurance less expensive, Robin might be able to live in a building with more solid construction.

As more and more people lose their jobs, more and more Americans become health care orphans.

To those people who work for large employers with excellent health care benefits, and to those whose pensions have "grandfathered" health care benefits attached, there is no debate. America's current health care system is excellent, and doesn't need fixing.

For the rest of America, the current health care system is broken, inaccessible, and wildly overpriced. Unfortunately, like Robin, more and more previous beneficiaries of excellent corporate health insurance are becoming part of the rest of America.

The rest of America might as well be living in a third-world country, because, for them, good health care is out of reach.

Health care as an American value

The United States Constitution is the ultimate law of the land. Not only does it set down the fundamental details of how our government works through the various articles and amendments, it effectively defines our values and freedoms.

For example, the First Amendment defines our freedom of speech:

> *Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.*

The Second Amendment defines our right to protect ourselves:

> *A well regulated Militia, being necessary to the security of a free State, the right of the people to keep and bear Arms, shall not be infringed.*

Of course, gun control is a hotly debated topic, but whenever it's discussed, it's always discussed in light of the Second Amendment.

The basis for states' rights is defined in one powerful sentence:

> *The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.*

The order of Presidential succession is defined in the 25th Amendment. The right of Americans 18 years and older to vote is defined in the 26th Amendment, which was passed because America decided it was unfair to draft young people and ask them to die for the country, but not allow them to vote.

The Constitution is an interesting beast because it defines the fundamental, low-level programming for life in the United States. The Amendments are short, clear, and precise, yet they leave enough room for interpretation to keep an army of Constitutional scholars busy for centuries.

Wouldn't it be nice if our current Congress understood short, clear, and precise?

The Constitution also allows for self-correction. Prohibition (in the form of the 18th Amendment) was passed in 1919. The Great Depression, a few smaller recessions, a drinking populace, and buyer's remorse set in and by 1933 the 21st Amendment reversed the effect.

America thought it valued temperance, but as we know all too well, many Americans love their booze. The taxes collected off alcohol sales ain't too shabby either.

The problem with the health care debate in America is that universal health care hasn't been defined as a universal American value.

It's not just the details of whether you can go to your own doctor, whether Harry Reid, Barack Obama, and Nancy Pelosi sit on "death panels" together to decide whether granny lives or dies, or even if we should all pay for our own insurance.

The problem is that we haven't, as a nation, established that we believe keeping Americans healthy is more important than who we pay for that care. We haven't, as a nation, established that we consider a healthy populace with universal access to health care to be an issue of national security. And, we haven't, as a nation, established that every American, regardless of current health, medical history, or ability to be employed deserves, as a right, access to reasonable, affordable health care.

It's my prediction that until we, as a nation, agree that access to health care is a universal right of all Americans, we're never going to pass any kind of health care reform that'll do much more than further enrich insurance companies.

Think about it. Right now, there's a huge debate going on about something called "the public option." The idea behind this is that the government would run an insurance operation as an option for those who can't get or can't afford insurance from private carriers.

As you might imagine, the insurance companies hate this idea. But if we, as a nation, had already programmed our values to determine that access to health care was a universal value, a public option (a good one, not one watered down and overpriced to the point of irrelevance) would be a no-brainer.

It's clear that traditional insurance companies can't profit as much as they'd like if they're forced to cover certain expensive-to-keep-healthy Americans. We've explored, in depth, the tactics insurance companies use to avoid or dump those costly customers.

To make sure those Americans have care, pretty much the only way they'd be able to get it would be from some sort of government-provided option. Of course, cost would be an issue, and quality of care would be an issue, and competitiveness would be an issue, but availability should not be an issue.

As a somewhat comparable example, look at the criminal justice system. Anyone who's ever watched an episode of *Law & Order* (and who hasn't?), knows this little speech:

> *You have the right to remain silent. Anything you say can and will be used against you in a court of law. You have the right to an attorney present during questioning. If you cannot afford an attorney, one will be appointed for you. Do you understand these rights?*

Do you know where that speech came from? It turns out that there were two landmark United States Supreme Court cases that brought about the so-called "right to an attorney."

The first was the 1963 case *Gideon v. Wainwright*. In 1961, Clarence Earl Gideon allegedly broke into the Bay Harbor Pool Room in Panama City, Florida. Once arrested, he appeared in court and since he couldn't afford an attorney, he was forced to represent himself. That didn't work out so well, and Mr. Gideon wound up spending five years in prison.

Mr. Gideon put that time to good use, turning himself into a jailhouse lawyer. He appealed his sentence to the United States Supreme Court, which, astonishingly, decided to hear the case. The court then assigned him an attorney: Abraham Fortas, who would eventually become an Associate Justice of the Supreme Court himself. Fortas and Gideon won.

The Miranda decision came a few years later, as a result of *Miranda v. Arizona*. The essence of the Miranda case actually dealt with a Fifth Amendment issue, that suspects might not know that they are not required to incriminate themselves. The "right to an attorney" phrase was just a side effect of the ruling.

In fact, the foundation for Gideon was also a Constitutional Amendment, in this case the Sixth:

> *In all criminal prosecutions, the accused shall enjoy the right to a speedy and public trial, by an impartial jury of the State and district where in the crime shall have been committed, which district shall have been previously ascertained by law, and to be informed of the nature and cause of the accusation; to be confronted with the witnesses against him; to have compulsory process for obtaining witnesses in his favor, and to have the Assistance of Counsel for his defence.*

So how does all this relate to health care and the so-called "public option"? The parallels are pretty obvious. Prior to Gideon, the government wasn't in the widespread habit of providing free legal services. Currently, because no sort of public health care option has been enacted, the U.S. government is not in the habit of providing free medical services.

One argument against universal health care and government-provided care is that we can't know just how sick each person is going to be, and sick people can get *real* expensive. Likewise, we don't know just how messy a legal case is going to be, and a legal defense can also be costly. We provide it anyway.

The way in which "the right to an attorney" is interpreted varies from state to state. Typically, the public defender is a state or local government service, rather than one provided universally by the federal government. Because of regional differences, in some jurisdictions you might make too much to be assigned a public defender, but too little to afford your own attorney. It's not a perfect system. But it is something.

Quite obviously, the quality of public defenders varies widely. It's unlikely O.J. would have been acquitted of criminal charges had he been forced to rely solely on a public defender. But you never know.

One of the big concerns claimed by opponents to a health care public option is what they claim is the anti-competitive nature of government-provided health care. Essentially, they claim insurance companies wouldn't be able to compete successfully against the government. Curiously, these same opponents of the public option also claim that government-provided health care would be so inefficient, many of us would be forced to wait unacceptably long for care.

So, on one hand, public-provided health care would be so efficient it'd put everyone else out of business. And on the other hand, it'd be so inefficient we'd all be left to die. Politics is like that. It doesn't have to make sense.

Being sick and being employed are often mutually exclusive.

Would a health care public option really put insurance companies out of business? And would that be a bad thing? Our insurance companies certainly haven't shown a predilection for putting Americans first, so should we really care whether they're subject to competitive pressures from a program many of us need to survive? After all, if they'd really done their job well, we wouldn't be considering legislative remedies.

Would a public option really put them out of our misery? One way to predict might be to look at how it's worked for legal services.

As it turns out, enacting the equivalent of the public option for legal counsel has not resulted in all the lawyers going out of business. Quite the contrary.

According to *Gender in Practice: A Study of Lawyers' Lives* by John Hagan and Fiona Kay, the ratio of lawyers to the general population in 1961 was 1.25 per 1,000 people. Today, according to the American Bar Association, there is approximately one attorney per 300 people, almost a 3x growth rate.

That's right. After enacting what was essentially a public option for legal services, the percentage of lawyers to the general population grew almost three-fold. Clearly, the public option in legal care wasn't detrimental to the legal industry.

Of course, health care doesn't have a Sixth Amendment. In fact, there's nothing in the Constitution that requires America to provide for the health of Americans. Or is there?

Take a look at the Preamble of the Constitution of the United States of America, before the Amendments, before the Bill of Rights, before even the original articles:

> *We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.*

Do you see it? Words 26 through 29:

> *...promote the general Welfare...*

And that's where it gets very interesting. Because even though the politicians, the lobbyists, and the media talkers have all gone collectively nuts about a health care bill, there's a good chance that it could all be decided by The Nine, those appointed-for-life Justices of the United States.

After all, if "... have the Assistance of Counsel for his defence.." can be interpreted as requiring public defenders be made available for Americans accused of a crime, is it that big a stretch to think that "...promote the general

Welfare…" might require health care be made available to all Americans in need as well?

Disadvantages of employer-funded health insurance

In Chapter 8, we talked about how employer-provided health insurance came about as a marketing gimmick. In World War II, employers needed to find a way to recruit employees when they couldn't compete on salaries (which were frozen during wartime).

Miami University's Melissa Thomasson describes why insurance companies were keen to go along with this scheme. In "From Sickness to Health: The Twentieth-Century Development of U.S. Health Insurance," *Explorations in Economic History,* she writes:

> *Blue Cross and Blue Shield were first to enter the health insurance market because commercial insurance companies were reluctant to even offer health insurance early in the century…they feared that they would not be able to overcome problems relating to adverse selection, so that offering health insurance would not be profitable.*
>
> *The success of Blue Cross and Blue Shield showed just how easily adverse selection problems could be overcome: by focusing on providing health insurance only to groups of employed workers.*
>
> *This would allow commercial insurance companies to avoid adverse selection because they would insure relatively young, healthy people who did not individually seek health insurance.*

Basically, if you were healthy enough (and, to a certain extent, mainstream enough) to get and keep a job, the insurance companies figured that you were probably a safe risk.

Suddenly, there was a class selection system for American health care. Insurance companies even refer to different levels of risk as "risk classes". If you're not in the right risk class, you're pretty much screwed.

We have given one industry (insurance) a competitive advantage and have done so at the expense of the rest of America's industries and citizens — and this has continued to damage American competitiveness for almost 80 years.

Here are some of the problems we get when we dump the health care problem onto employers:

- Employment class divisions
- Growing divisiveness
- More and more uninsured and underinsured
- Job lock-in
- Hidden discrimination
- Increased cost of goods for American consumers
- Reduced competitiveness for employers
- Reduction in quality
- Reduced sense of independence and resourcefulness among Americans

Let's look at each one of these in turn.

Employment class divisions

Those who work for large companies and government agencies get better care and those who don't get far worse care.

Growing divisiveness

As more and more people lose their jobs, more and more Americans become health care orphans. Those who still have employer-provided health care get more and more protective of the status quo — until they suddenly join the ranks of unemployed and uninsured.

More and more uninsured and underinsured

As layoffs continue and as smaller companies and freelancers become the employers of last resort for Americans, more and more Americans will find themselves without insurance.

The idea that health insurance is solved via some sort of employer mandate presumes employment. That's one of the key failures for any health care reform policy that relies on employer-provided health care.

Job lock-in

Individuals often can't move to better jobs or leave to start their own businesses because they're locked into a health care plan with their current employer.

Likewise, employers get stuck with employees whose motivation for staying at the company isn't pride of job performance but, rather, hanging onto benefits for dear life.

Hidden discrimination

Employers, especially smaller employers, often can't afford to hire those with health problems. Although employers are not allowed to outwardly choose people based on health, those who are less obviously hale and hearty may find it harder to find work — even if they're the best suited for the job. This, not incidentally, also denies employers of experienced and skilled workers.

Increased cost of goods for American consumers

The cost of health care for workers at GM adds more than $1,500 to the cost of each GM car, according to a February 11, 2005 article in the *Washington Post.*

Reduced competitiveness for employers

Saddled with huge health benefits bills, American employers can't compete with companies in other countries who don't have to absorb such enormous health insurance bills.

Reduction in quality

Money that should go into products and services and the employees who produce them is being siphoned away from all but one industry. All that money is being sent to the one, single industry holding the rest of American productivity hostage — insurance.

As the cost of insurance goes up and the pressure to compete against lower cost goods drives prices down, American quality must inevitably suffer.

Reduced sense of independence and resourcefulness among Americans

The employer-provided insurance system fosters a powerful sense of employer as parent, where the employer takes care of you and your family.

Employer-provided insurance not only doesn't foster the spirit of independence and self-sufficiency that made America great to begin with — and that we're going to need to return America to greatness — it's actively placing Americans into a state of dependence and subordination. We are, collectively, like a country of dependent infants sucking on the corporate teat.

To fix health care, one of the things we must do is decouple it from employment. Otherwise, it'll always be a case of lose your job, lose your health care.

Medicare For All

As a devout capitalist, I believe all companies have the right to make a profit. I also believe in competition and market forces.

I'm also practical, and based on the months of analysis I've done on America's health care crisis, it's become increasingly clear that many of us are being held hostage by our own health insurance companies.

This so-called public option is essential, because we've seen that our insurance companies can't be trusted.

Sure, if you work for a big organization with a large group policy, your health care is probably pretty good. But if you lose your job, or you're like the majority of Americans who don't work for a big company with a lush group plan, you're effectively screwed when it comes to health care.

It's the very nature of for-profit companies that puts us in this situation. Insurance companies are companies and they need to make a profit and maximize shareholder value.

Doing so often leads to somewhat reprehensible practices like rescission, discussed in such stark detail back in Chapter 8. Relying on insurance from your employer means that once you become sick you're out of a job and out of luck.

Being sick and being employed are often mutually exclusive.

Having your employer provide you with insurance is essentially a good deal for the insurance companies. It's just lousy business for your employer and for the rest of us.

We need another option. We need Medicare (or something like it) for everyone.

Large companies like Microsoft and IBM have alternatives. Microsoft has about 93,000 employees. IBM has about 398,000. Not all their employees are in the United States, but let's just pretend they are for this exercise.

If you'll recall, an employer's share of family health insurance is about $9,325 per year. Given that not all employees are covering their families, let's just cut that in half, to $4,662. Now, let's assume Microsoft pays $4,662 per year for each of it's 93,000 employees. That's $433 million year. If IBM pays the same for its 398,000 employees, it's paying out $1.8 billion per year.

Put simply, if IBM or Microsoft wanted to stop using the health insurance companies and self-insure their employees, they could. And they'd very likely save money.

So large companies have an alternative if they don't like the way health insurance is going in the United States. They have the bargaining power of their huge purchase of services and, worst case, they could self-insure.

But smaller companies and individuals don't have that option. The rest of us are stuck. The rest of us need a Medicare For All option. We need at least the option of purchasing a government-provided health care policy — or, to rephrase the words of our favorite *Law & Order* cops, "*If you cannot afford an insurance policy, one will be provided for you.*"

What is "afford," anyway? We've heard a lot about so-called affordable health care. Is health care affordable if you can pay the insurance bill? Is it affordable if the only way you can pay the bill is to live in a trailer in hurricane country?

This is a tough question, but if we can't define "affordable," we probably shouldn't keep using the term.

The so-called public option is essential, because we've seen that our insurance companies can't be trusted. Does anyone doubt that even if we do pass some kind of health care reform, insurers will game the system? These are billion dollar corporations whose primary trade skill is finding ways not to pay out money.

Does anyone possibly think that America's insurance companies don't have contingency plans for any form of health care reform that Congress passes, including a public option?

Does anyone possibly think that insurance companies won't find (or sneak in to the legislation) loopholes that give them the equivalent of rescission?

Heck, if I ran an insurance company and my mission was maximizing shareholder value, that's exactly what I'd do.

Be thankful I'm on your side.

Ideally, we need to separate the concept of care from insurance, and stop our requirement of betting against ourselves for our health. In lieu of that, America needs a public insurance provider.

There is no other way we can be sure that all those Americans who have lost their jobs, all those Americans who work for small companies, and all those Americans who are freelancers or are self-employed can be sure to get health care.

Let's also not forget what we explored in previous chapters. We need work for 20-30 million people. Jobs for that many people can't be provided by large companies because we can't grow companies large enough, quickly enough.

The jobs America needs can only realistically come from small companies and those who are self-employed. These are exactly the people who are not well served by today's insurance conglomerates and exactly the people who would benefit from a government-provided Medicare For All program.

And this is the crux of the entire argument. To successfully create and sustain the 20-30 million jobs America needs, America needs a Medicare For All public option insurance program.

Canadians seem to like it

One of the big complaints about British and Canadian national health care is how long patients have to wait for care. I talked with many Canadians while writing this chapter, and many told me that waiting for care was annoying. Not life-threatening, but annoying.

However, there is some interesting anecdotal evidence that Canadians are reasonably happy with their national system. This was pointed out to me by Scott Tomlinson, a favorite ZATZ customer and friend who lives in Canada. He and I have been discussing our countries' respective health care systems all through the writing process for this book.

Following along as I've been writing these chapters, Scott sent me a link to a CBC television show that ran in 2004, called *The Greatest Canadian.* Much like our *American Idol, The Greatest Canadian* relied on viewer votes to determine a winner.

According to the program:

> *Over 1.2 million votes were cast in a frenzy of voting that took place over six weeks as each of 10 advocates made their case for the Top 10 nominees in special feature programs on CBC Television.*

Contenders included singers Neil Young and Gordon Lightfoot, pop hotties Avril Lavigne and Shania Twain, comedians Jim Carrey and Mike Myers, AIDS advocate Steven Lewis, Dr. Norman Bethune, who organized the first mobile blood transfusion service, War of 1812 heroes (to them, not us — Canada was part of Britain then), Laura Secord and General Sir Isaac Brock, former Prime Ministers Jean Chretien and Brian Mulroney, and even those icons of quality performance, William Shatner and Pam Anderson.

After the votes were counted, the top ten included Frederick Banting, the man who discovered insulin, Alexander Graham Bell, the man whose invention would eventually lead to all those telemarketing calls during dinner, Sir John McDonald, the founding father of Canada, and, of course, the greatest hockey player of all time, Wayne Gretzky.

Out of all these people, out of more than 100 candidates, who did millions of Canadians decide was the greatest Canadian of them all?

Tommy Douglas.

That's right, *that* Tommy Douglas.

What? You don't know who Tommy Douglas was? Clearly, millions of Canadians do. Tommy Douglas was the father of universal public health care in Canada.

When Canadians vote for Tommy Douglas over Wayne Gretzky, you know they've gotta be liking their universal health care.

Oh, and here's a six degrees of Kevin Bacon moment for you. Tommy Douglas married music student Irma Dempsey. They gave birth to actress Shirley Douglas who married Donald Sutherland (he played Dr. Hawkeye Pierce in the movie version of *M.A.S.H.)* Shirley and Donald gave birth to Jack Bauer himself, Kiefer William Frederick Dempsey George Rufus Sutherland.

That's right. Kiefer Sutherland is the grandson of "The Greatest Canadian," Tommy Douglas, the father of Canada's universal health care system.

Never let it be said I don't mix important policy recommendations with quality entertainment trivia!

By the way, Canada's health care system differs considerably from that of the U.K. In Canada, the government provides insurance, but Canadians can go to any doctor they wish. In the U.K., all the medical professionals work for the government, at least part of the time.

Both countries have a form of supplemental insurance (run mostly by American insurance companies) for those companies and individuals who want better-than-public-quality health care. Of course, that supplemental insurance costs only a fraction of the amount we're forced to pay here in the United States.

Marijuana legalization

No respectable journalist or researcher ever wants to bring up the subject of marijuana in a serious report. But given both the prevalence of the substance in American society, our strange legislative relationship to it, and its possible ramifications for health and wellness management, here I go.

Marijuana. Pot. Weed. Grass. Ganja. Mary Jane. Texas Tea. Maui Wowie. Reefer. Blunt. Spliff. Chronic. Dope. Hydro. Kush. All are so-called "street names" for the substance more scientifically known as *cannabis.*

Marijuana is currently listed by the United States Drug Enforcement Agency as a Schedule I Controlled Substance, on a par with heroin. Schedule I substances are those considered having a high potential for abuse and for which:

> *The drug or other substance has no currently accepted medical use in treatment in the United States.*

What makes marijuana legally paradoxical is that 13 states (Alaska, California, Colorado, Hawaii, Maine, Maryland, Michigan, Montana, Nevada, New Mexico, Oregon, Rhode Island, and Vermont) have made the use of cannabis legal, upon issuance of a prescription from a doctor.

Proponents of medical cannabis use have identified more than 250 medical conditions they claim can be treated with weed. These range from nausea experienced by those undergoing chemotherapy to glaucoma, multiple sclerosis, spinal cord injuries, Parkinson's disease, leukemia, epilepsy, and more.

Of course, many in the medical establishment dismiss these reports as simply attempts by educated potheads to justify use of a favorite recreational drug.

THC, *tetrahydrocannabinol,* the active ingredient in cannabis, has been extracted from the plant and is sold as a pharmaceutical known as "Marinol," used in the treatment of some conditions.

And there may be more to this issue. In "A Molecular Link between the Active Component of Marijuana and Alzheimer's Disease Pathology," seven researchers at the The Scripps Research Institute, publishing in *Molecular Pharmaceutics* claim that THC, the most active ingredient in pot, prevents the formation of certain deposits in the brain thought to cause Alzheimer's disease.

Researchers at Harvard University, writing for the American Association for Cancer Research, claim that weed's active ingredient, THC, can cut tumor growth in lung cancer by half and can "significantly" diminish the ability of the cancer to spread.

In "Cannabidiol as a novel inhibitor of Id-1 gene expression in aggressive breast cancer cells," published in the journal *Molecular Cancer Therapeutics,* and funded by grants from both the National Institutes of Health and the Department of Defense, five researchers claim that another ingredient of marijuana, *cannabidiol,* may be able to stop breast cancer from spreading through the body. They assert that cannabis may prove to be "non-toxic" and far less debilitating than traditional chemotherapy.

In "Dronabinol and marijuana in HIV-positive marijuana smokers. Caloric intake, mood, and sleep," published by the *Journal of Acquired Immune Deficiency Syndromes* and "Short-term effects of cannabinoids in patients with HIV-1 infection: a randomized, placebo-controlled clinical trial," published by the journal *Annals of Internal Medicine,* researchers at Columbia University wrote that AIDS patients who smoked marijuana daily found they were able to eat more without being uncomfortable and also showed no reduction of the ability to perform cognitive tests.

And a Spanish team, publishing "Cannabinoid action induces autophagy-mediated cell death through stimulation of ER stress in human glioma cells," in *The Journal of Clinical Investigation* claimed that pot use actually helped kill cancer cells in the brain by autophagy — effectively, the cancer cells got the munchies and ate themselves to death.

Even with all this research (and there's a lot more I didn't cite), the federal government has maintained that there is no medically-valid use for weed, claiming an absence of definitive studies. Because marijuana is a plant, and different strains of the plant have different efficacies and behaviors, it *is* difficult to perform studies with the repeatability-of-results you might get from analyzing the usage results from a manufactured pill.

There is also some argument that smoking pot could increase the chances of getting lung cancer. Proponents of legalization claim that there are other ways of introducing the plant into the body, including baking, tincturing, and "vaporizing," a non-smoke method of inhaling the active ingredients.

Surprisingly, pot smoking might not increase the chances for lung cancer after all. In a study performed by Donald Tashkin, M.D., Professor of Medicine at UCLA and published by the American Thoracic Society:

> *People who smoke marijuana — even heavy, long-term marijuana users — do not appear to be at increased risk of developing lung cancer.*
>
> *Marijuana smoking also did not appear to increase the risk of head and neck cancers, such as cancer of the tongue, mouth, throat, or esophagus, the study found.*
>
> *The findings were a surprise to the researchers. "We expected that we would find that a history of heavy marijuana use — more than 500-1,000 uses — would increase the risk of cancer from several years to decades after exposure to marijuana."*

Proponents of marijuana legalization claim that making marijuana available to the general population or medicinally through dispensaries, like those in California, could substantially reduce America's health care costs.

They claim that since marijuana is a substance that could be grown at home by patients, it wouldn't necessarily have to be purchased on the open market or reimbursed by insurance plans.

Marijuana proponents also claim a wide variety of ancillary benefits to pot legalization, including:

- About 80% of the United States drug fighting budget is allocated to curbing marijuana use and about half of all prison inmates are in jail because of pot. Making cannabis legal would free law enforcement budgets to fight more serious problems.
- If cannabis were legal, federal, state, and local governments could tax and regulate it, bringing potentially billions of tax dollars into government coffers.
- Legalizing marijuana would create entire new industries in America, creating jobs and stimulating the economy.
- Proponents claim that marijuana plants, which are very easy to cultivate, could be refined into a hemp oil-based bio fuel.
- Some proponents also claim that an acre of hemp can produce more paper than four acres of trees — and it grows faster.

Writing in the September 14, 2009 issue of *Fortune Magazine,* senior editor Roger Parloff makes the assertion that marijuana is already legal in the United States.

He claims that since 13 states already have medical marijuana statutes on the books and since U.S. Attorney General Eric Holder declared in February 2009 that the U.S. would no longer prosecute medical marijuana patients, pot is effectively legal in those states.

Of course, not everyone agrees with *Fortune's* Parloff.

Georgia State Republican Representative Tommy Benton (of the 31st House District) sent an email to his constituents, suggesting:

> *I think we should go to caning for people caught using and maybe execute dealers.*

As you might imagine, this upset pot supporters. The nonprofit National Association for the Reform of Marijuana Laws described caning rather graphically as:

> *Caning is a form of corporal punishment consisting of up to 24 violent lashes with a long rattan cane that has been soaked in water. The procedure inflicts intense pain and deep, bloody lacerations that can take several months to heal.*

Like I said, writing about pot legalization is a third rail no legitimate researcher ever really wants to touch. On one hand, you have *Fortune Magazine* making the claim that pot is effectively legal in 13 states and, on the other hand, you have a Georgia State representative advocating an ancient form of torture as punishment for its use.

But if the claims of all the academic studies I cited are true, and I found quite a few more I didn't list here, marijuana use could provide a low-cost, highly effective form of medical treatment for a wide variety of ailments and serious diseases.

Let's just take chemotherapy as an example. According to the *Johns Hopkins Health Alert,* "The High Cost of Chemotherapy," older cancer drugs might cost $100-$300 for a run of chemo. Newer drugs are being prescribed more and more, and these drugs run upwards of $30,000, for just the drugs alone.

According to the *Journal of Oncology Practice,* the number of cancer patients (both being treated and whose therapy has completed) is expected to grow from 11.7 million in 2005 to 18.2 million in 2020.

If only 10% of those cancer patients undergo chemotherapy at the full cost indicated in the Johns Hopkins alert, we're looking at nationwide costs of $35 billion dollars, rising to more than $55 billion in 10 years.

I'd have to be stoned to argue that physicians should replace chemotherapy with pot, but remember that a study funded by both the National Institutes of Health and the Department of Defense and reported in *Molecular Cancer Therapeutics* indicated that an ingredient of marijuana might be able to stop breast cancer from spreading and the study itself claimed there might be a safer alternative to chemotherapy.

Could legal cannabis use in breast cancer treatment save America billions in health care costs for the treatment of just that one condition? It's certainly worth giving the question serious consideration. Just in case it's hard to picture what $55 billion a year would buy, according to the 2009 United States federal budget, it would fund all the operations of the United States Department of Energy and the United States Department of Justice.

In a country with out-of-control medical costs, legalization of weed for medical use could give patients some control of the means of production for their own medicine (almost a form of anti-socialism) and reduce costs for employers, the government, insurance companies, and individuals by potentially billions of dollars annually. It might also create new, vibrant industries and boost tax revenues by billions as well.

With possible benefits like these, it just might be worth putting aside our puritanical fears of this particular plant and rationally explore whether America can afford to *not* legalize marijuana, at least for medical use.

Personal note: as a much younger man, I tried pot exactly once. I had an epic toothache that wouldn't go away with prescribed painkillers. My dentist insisted I'd have to wait more than two weeks for my appointment to have the tooth pulled (yes, we have to wait for care here in America, too). The pain was intolerable (it was a 43 on a scale of 1 to 10).

Although just the one usage of marijuana almost instantly eliminated the toothache, I didn't find it even slightly "enjoyable," in and of itself. It also gave me quite the headache and made me sleepy. Also, I choked on the smoke. I haven't touched it since.

To be honest though, if I had another toothache like the one I had back then, and if pot was legal, I wouldn't hesitate to ask my dentist or doctor for a prescription. It was, quite literally, the *only* thing that helped.

Medical coverage for illegal immigrants

While we're talking about things that'll send certain pundits into fits of apoplexy, let's also talk about health care coverage for illegal immigrants.

According to the U.S. Census Bureau, there were about 8.7 million illegal immigrants living in the United States in 2000, and about 500,000 more enter the country each year. Maybe we shouldn't have put Enron's accountants in charge of border security. Adding it all up, we have something like 13 million or so illegal immigrants living here now.

13 million people is a *lot* of people. That's pretty much the population of the state of Illinois, or the population of New York City and L.A. combined. That's almost 5% of the population of the United States.

Let me be clear. Illegal immigrants are here illegally. In a perfect world, they would all be rounded up and shipped out. After all, they're violating the law.

Let's talk about school buses. According to OBS Specialty Vehicles ("Specialists in Blue Bird School Buses & Customized Vehicles"), the Blue Bird Vision conventional-style school bus has a 78-student capacity. Obviously, students are often smaller than adults, but let's just assume we can cram all 13 million illegal immigrants into Blue Bird Vision conventional-style school buses.

We'd need 166,666 buses.

Each bus is about 39 feet long. If you crammed all 13 million illegals into all 166,666 buses, you'd be able to park them, end-to-end, for 1,231 miles. If you parked all those buses on Route 80, they'd line up from where it begins near New York City to just about Grand Island, Nebraska (yes, apparently there is an island in Nebraska, surrounded by the North Platte and Wood rivers).

When powered by diesel fuel, each of those buses gets about 9.9 miles per gallon. Now, quite obviously I know all illegal visitors aren't Mexican and I definitely know they're not all in Grand Island, but play with me for a minute. If we were to try to drive all 166,666 buses from Grand Island, Nebraska to the Mexican border at Ciudad Juarez, a distance of 777 miles, we'd use up just about 13,080,755 gallons of diesel fuel, which, by total coincidence, corresponds to about one gallon of fuel per illegal immigrant.

At about $2.50 per gallon of diesel fuel (as I write this), it'd cost us over $32 million for gas, just to drive them one way. Add another $32 million to return the buses back home.

Given the roads, it'd take about a day to drive from Grand Island to Juarez. Figure another day to get back. And while the logistics would certainly take far more than a day to round everyone up and get them onboard the buses (think about how long it takes just to get off an airplane), let's be simplistic and just assume we need to rent the buses for a single week.

It is not easy figuring out how much it costs to rent a school bus. Most of the school bus rental services I called didn't want to quote prices over the phone. But after surfing the Web for a while, the general impression I got from a lot of people asking and answering how much it costs to rent a school bus (you can find *anything* on the Web if you look hard enough) was that a bus costs about $500 to rent for a day, not counting mileage.

So, let's work with that. Let's rent 166,666 buses for a week at $500 a day. Assuming you could find 166,666 school buses, the cost to rent them all would be about $583 million.

What about feeding all these people? Wal-Mart has ads claiming you can feed your family for $2 a serving, so let's just use that. Let's assume we have to feed 13 million people three $2 meals a day, for a week. That'd cost $546 million.

Now, why am I taking you on this relatively ridiculous romp? It's to share with you my analysis, which shows that our 13 million illegal immigrants are either here to stay, or it's going to cost America a *whole lot* to send them home.

Even using the silly examples I played with here, we're almost at $1.2 billion, and that doesn't include real costs like law enforcement personnel, the time and cost to round everyone up, jails, lawyers, and the like.

For the sake of our exercise, imagine that America manages to get its collective head out of its collectively asinine view of health care policy and we somehow manage to create a form of Medicare For All, or at least an option that gets us to universal health care.

What do we do about the illegal immigrants?

A lot of Americans think we shouldn't do anything, as long as we don't provide them with health coverage. Even President Obama said his health care plan explicitly won't pay the health care expenses of illegals.

Let's think about this. As an exercise, pretend that all American citizens, including all those who immigrated to this country legally, have access to health care. We can all go to the doctor when we get sick, we go to the hospital when it looks like we might have some disease, and otherwise we're able to keep ourselves healthy.

But then Lucia, the nice woman from Ecuador, comes over to clean your house. Lucia's been sick for a few weeks, but she can't go to the doctor, both because she can't afford it, and because she's afraid she'd get turned in and deported. You don't know it, but Lucia is an illegal immigrant.

Unfortunately, Lucia's also a very sick person. She's got a nasty case of tuberculosis, which she picked up from her cousin, who just got into America a few weeks ago. Lucia's been in a lot of homes, and along the way, she's managed to infect a lot of American citizens.

If Lucia had been covered by America's universal health care, she might have been vaccinated against TB. Even if she did pick up the disease from her cousin, she could have been given a course of treatment including isolation precautions and antivirals, and the contagion would have been controlled.

Conditions associated with poverty such as overcrowding, lack of preventative medical care, and lack of education about prevention create breeding grounds for many types of infection. TB is a growing public health problem in America, especially among the poor and those in this country illegally.

Eventually, Lucia gets so sick that her brother Edgardo takes a chance and brings her to the emergency room. Of course, Edgardo is also infected, as are a lot of the people he's come in contact with while working as a dishwasher at a local restaurant. Some of those people are asymptomatic for TB, but are still carriers capable of infecting others.

As you might imagine, neither Lucia nor Edgardo can afford to pay for the emergency room visit, so the cost of the visit, along with the whole hospitalization (which could have been prevented) is eaten by the hospital and then passed along to all of us taxpayers.

Where does this leave us?

There is no doubt that illegal immigrants are breaking the law. As law breakers, the ideal solution is to arrest them and send them back home. But as the busing example shows, it's going to be virtually impossible to export 5% of America's population, illegal or not.

Imprisoning them is just as impractical. If it costs $546 million to feed them all for five days, we'd spend almost $40 billion a year just to feed them while in prison, and that doesn't count the cost of the prisons, guards, or anything else.

If we're going to be realists, we're going to have to recognize that most illegal aliens are here, and they're probably here to stay. Obviously, we need to beef up our borders to prevent more from coming in, but the bottom line is we have a huge population of people in this country who are undocumented and off our radar.

Maybe these illegal aliens can't be said to "deserve" health care provided by the American taxpayer. But neither does the American taxpayer "deserve" to be subjected to disease and other ailments propagated by illegal visitors.

America's national security policy has often been filled with tough choices, where we've had to decide whether something was more in the interest of America as a whole, or our pocketbook.

We've often put America's interests first (often corporate interests disguised as America's interests, but that's a discussion for a different book). We've gone to war to protect those interests, spent enormous sums of taxpayer money, and even sent our young heroes into harm's way.

It seems to me that if we decide that keeping American citizens healthy is in America's interest, then keeping those illegal immigrants healthy would also be in our interest. After all, they're not just in our country, they're in our businesses, they're out and about in our communities, and they're in our homes.

Finally, it seems to me that it'd be a lot less expensive in the long run to provide a baseline of health care services to illegal immigrants, just as we need to for all Americans.

Otherwise, that woman you're sitting next to on the subway, that man who's stocking the shelves in your supermarket, that child who's sharing the playground with little Timmy — each of them could be spreading something really nasty to the rest of us law-abiding Americans — and much of that would probably have been preventable with a simple doctor's visit.

It's about you

There's a lot more to the health care system than I've covered in these two chapters. There's the issue of malpractice insurance, where physicians are laboring under their own unreasonable insurance load.

There's tort reform, which is directly related to the cost of malpractice insurance. Because we live in such a litigious society, we have far too many lawsuits, many of them designed to either harass or simply make money out of opportunity, rather than right some wrong.

And then there's our personal behavior. We eat too much junk food, don't exercise enough, and prefer our Double Quarter Pounders with Cheese to Tofu Broccoli Stir Fry (although that *does* sound yummy).

We Americans need to take more responsibility for our own health while at the same time we need to defang the insurance cabals. That's why having a system that relies so heavily on employer-provided health care is so dangerous.

Taking responsibility for our own health includes choosing to eat right and exercise regularly, but it also means understanding our own bodies and how the health care system works.

Doctors and nurses spend years in school, learning the ins and outs of anatomy, physiology, pharmacology and all the other "-ologies." Most of us don't have the time or money to go to medical school, but we can and should learn more — about not only our bodies, but the system we rely on to keep us healthy.

Regardless of how you define the health care debate in America, there is one key figure everything revolves around: you, the patient, the person receiving and/or needing medical care.

This means that you need to take responsibility for your own care, wellness, and life choices. Because so much of how the health care industry operates is cloaked in jargon, most of us are unable to fully understand even the basics of our own care. In America, we spend more on the health care system than on any other industry or category, and yet very few of us know much about how it works.

More of us know how to reinstall Windows on our computers than know how to care for our own bodies. The human body is a far more complex device than the home PC, but that doesn't mean we can't learn more about this vessel we rely on for our very lives and the health care system we rely on to keep it running properly.

In the pages of this book, I've outlined a lot of things we need to fix in order to save health care in America, but the bottom line is it's about you.

Get the latest updates on this issue

Obviously, health care in America is a rapidly moving target.

If you'd like to stay up to date and get the latest information, updates will regularly be posted to:

HowToSaveJobs.org

CHAPTER 14

Reinventing unemployment

Unemployment is one of the great equalizers of modern society. Whether you were previously employed as a corporate executive, a software developer, a journalist, a butcher, a baker, or even a "living history" candlestick maker, once you lose your job, you become unemployed. Suddenly you're just like every other unemployed *shmo* in line at the unemployment office.

Speaking of the unemployment office, another great equalizer is everyone's experience with "unemployment," the combined federal and state-run bureaucracy designed to give you a small paycheck while you look for that new job. In most states, the unemployment payment period runs 26 weeks, or half a year, but Congress has often extended this during down economies.

There are effectively two Americas: those who work for larger companies and can get unemployment compensation if they lose their jobs, and the rest of us, who can't.

Unemployment programs are usually financed by those money-sucking acronyms on your paycheck, FUTA and SUTA. FUTA stands for Federal Unemployment Tax Act and, in most states, SUTA stands for State Unemployment Tax Act. Each sock away a small amount of your weekly pay into a form of insurance, in case you get canned from your job.

The organizational divide

One thing most people don't know about unemployment compensation is that it's actually not available to most Americans who lose their jobs. According to the January 14, 2009 article "Unemployed Without Benefits: A Couple's Struggle," published on the NPR.org Web site, author Kathy Lohr explains:

> *Almost two-thirds of those who are out of work do not qualify for unemployment benefits. The law that created unemployment insurance was passed in response to the Great Depression of the 1930s.*
>
> *But since then, much has changed in the labor force, including the large numbers of self-employed who are left out of the system.*
>
> *Most people believe if they're laid off — downsized or simply out of a job — they will get unemployment insurance benefits...the federal system, created in 1935, simply does not cover the majority of today's workers.*

Once again we have a situation where there are effectively two Americas: those who work for larger companies and can get unemployment compensation if they lose their jobs, and the rest of us, who can't.

Why is it that most Americans have sub-par health insurance and no safety net in the event they lose their jobs, but the prevailing opinion heard from most "reasonable" people is that we're all in pretty good hands?

Think about it. Where do most people get their information? Most people get their information from people who work for large corporations or the government, people for whom unemployment compensation is a given.

Most mainstream media reporters work for large companies. Yes, those reporters are suffering because the journalism business model is failing, but when they get laid off, most will be able to collect unemployment.

Likewise, most teachers work for large organizations. Whether it's the public school system, a state-run college, or even a private college, most teachers have pretty good benefits, and with it, pretty good health insurance.

Unemployment agencies do not effectively help the unemployed find employment. This is their main failing.

A friend of mine who is a nursing student told me that she'd discussed discussed the health care issues many Americans are facing with the head of her nursing program. The program chair insisted that America's current health insurance system was the best in the world. To her, it probably is. To the unemployed nursing student forced to face the world without any health insurance at all, not so much.

Likewise, many of those who talk about the condition of our unemployment system work for large companies or the government. Whether you're hearing from a reporter for a mainstream media publication, a teacher, or a politician, each knows if she loses her job, she can collect unemployment.

On the other hand, that vast majority of American freelancers and those working for so-called "nonemployer companies" are not protected by the unemployment compensation system. Just like with health care.

What are we learning from all of this? It's simple, really. The reality of how the "system" works for those who are employed by a large company or a government agency is radically different than for those who are not.

If you work for a big player, chances are you have good health insurance, unemployment insurance in case you lose your job, and maybe even the promise of a pension. If you're self-employed, or work for one of the 27.6 million small businesses in America, you're probably not so fortunate.

This organizational divide is important because in previous generations we've relied on America's large organizations to fuel our growth and our economy. But now, instead, we need to rely on the smaller organizations to bail us out of our challenging economic situation.

And so, where we once optimized for the benefit of those who worked for large corporations, now we *must* now optimize for the benefit of those who start their own businesses, freelance, and employ small teams of people.

A patchwork of programs

America's governance is made up of a clusterfrak of federal, state, county, and local governing bodies, along with a wide variety of boards, agencies, public service organizations, nonprofits, and non-governmental organizations.

If you think Congress can't get anything done, you ain't seen chaos until you try to find some consistency among federal, state, and local programs.

Even the amount you get paid for unemployment compensation differs widely, says NPR's Erin Killian. If you happen to be unmarried and living in Illinois, you're worthy of a weekly unemployment check worth a whopping $51. But if you have kids, you could bag $511 for the very same week. The national average is $219.17.

Then there are the supporting benefits. I decided to find out what Florida had to offer, so I visited the State of Florida Agency for Workforce Innovation

Web site at FloridaJobs.org. It turns out the State of Florida was allocated $165 million in federal stimulus dollars, paid over three years.

Just to put that in perspective, the U.S. government has decided to help Florida's 987,000 unemployed citizens by doling out about $55 million a year, or about $55.70 per unemployed citizen, per year. There's not a lot in the way of placement programs or job retraining you can do for $55.70 per year.

On the other hand, the U.S. government bailed out insurance giant AIG to the tune of $182.5 *billion,* at which point the executives of the company turned around and gave themselves bonuses of — wait for it — $165 million.

AIG executives were bonused (out of federal money) exactly the same amount the entire state of Florida was given to help its unemployed. Special.

And while those bailed-out and bonused AIG executives were vacationing in posh resorts on the taxpayers dime (and almost all taking home more than a million bucks each), Florida's unemployed were trying to figure out how to change their lives with an extra $55.70 *per year.*

Let's indulge in a few minutes of fantasy here. If the U.S. government had split that $182.5 billion it gave AIG equally among all the states, each state would have gotten about $3.65 billion. If you spread that across three years as well, here in Florida we would have been able to invest $1,233 per unemployed citizen per year, rather than a paltry $55.70.

There's a lot you can do with $1,233 per person, per year, to help someone get back on his or her feet. Perhaps, in the future when we think about whether we can afford to let a bloated, corrupt, predatory business fail, we ought to consider our citizens first.

But I digress. The point of my discussion wasn't the vast, just-on-the-edge-of-criminal misuse of government funds in the AIG bailout. Instead, where I was going, is that each of Florida's 24 regional workforce boards have completely different programs to help the unemployed. The same is true across all states.

I live in Florida, so let's look at the programs here. If you happen to live in the Clearwater, Florida area, your workforce board is WorkNet Pinellas. If you're unemployed and live near Clearwater, one of your benefits is that you get to go to "career camp" (seriously). Not only that, your workforce board has contracted with a local company named Solar Source to retrain 25 electricians, roofers, and other contractors as "Photovoltaics Installers."

Solar industry is a "green" industry and down in Florida, we have a lot of sun. Supporting a few green jobs seems like a nice idea, but it's not particularly effective for job creation or job security. According to the European Photovoltaic Industries Association, the solar energy industry is growing at about 20-25% a year. It's a small industry and almost none of that growth is in the U.S. Here, photovoltaics installation is not an opportunity-filled career.

It's bizarre. Stimulus dollars in this region were put to work to train all of 25 people to do a particularly obscure and almost completely non-transportable skill. As Will Ferrell's character said in "Blades of Glory," it bottles the mind:

> *Yeah, mind bottling, you know when things are so crazy it gets your thoughts all trapped like in a bottle.*

By contrast, if you happen to live in the Florida areas of Gadsden, Leon, and Wakulla serviced by the WORKFORCE plus (their capitalization) workforce board, you can apply for all sorts of benefits, including "intensive job searches," occupational skills training, a worker training grant, on-the-job training (where your employer is reimbursed 50% of your salary for up to eight weeks), a health care grant for health-related training, training in “green” employment opportunities, and more.

This is how our unemployment service agencies work all over the country. Each little area, region, and fiefdom is managed under different rules, provides different programs, and offers substantially different benefits.

To some extent, this makes sense. The needs of workers in Manhattan are going to be considerably different from those in Iowa. But this diversity also provides a huge level of inconsistency and makes it difficult for employers to find potential employees.

Going to the DMV is less stressful. Getting a root canal is more fun.

Here’s a fun exercise. Think about all those unemployed individuals who’ve registered for unemployment compensation. Now, try calling your local unemployment office in order to hire one person, with one particular skill.

It’s an exercise in complete frustration, especially if the sort of person you want to hire is a white-collar worker like a computer programmer or an editor. I’ve owned businesses in California, New Jersey, and Florida and on occasion, when in desperate need of either a full-time new hire, or just some help for a few days, I’ve called the local unemployment office.

Going to the DMV is less stressful. Getting a root canal is more fun.

Try it. Go ahead. I’ll wait.

(sound of game show music)

Did you try? Wasn't that fun? Yeah, I know.

This is unacceptable. Remember, no one gets a job just because he or she wants one. You only get a job because someone else is willing to pay, and that's because they need some sort of work done. And if it's an exercise in frustration for employers to find those ideal individuals within the ranks of the unemployed, the few jobs available won't get filled.

Here's a way to prove this thesis even if you don't want to torture yourself by trying to hire through the local unemployment office. We discussed earlier how the low-cost (or free) Craigslist online classified ad service was sucking advertisers away from traditional newspaper ads.

If unemployment agencies were highlye effective at helping people get jobs, traditional newspaper help-wanted ads wouldn't have been such a big business — and Craigslist wouldn't had such an impact on newspaper revenue.

Unemployment agencies do not effectively help the unemployed find employment. This is their main failing.

Connecting workers to jobs

The focus of the unemployment compensation and service system is on out-of-work former employees. On the surface, that seems like the right idea. But it's backwards.

Certainly, former employees are the people who are hurting. Programs for them, like job training, career counseling, and resume writing workshops are helpful. But if there aren't jobs or employers aren't connecting with prospective employees, the work of these agencies is wasted.

We need to reinvent our unemployment system. Rather than solely focus on helping unemployed workers, what if we focused on helping employers create jobs for those workers, and then helping workers and employers connect locally, regionally, and nationally?

Novel idea, isn't it?

As a small business owner since the 1980s, I've never once had the local, regional, or national government do anything to help me create jobs. Oh, sure, there's the barely conscious Small Business Administration, but there's no other effective outreach from government to small business.

They're designed to work with the most established employers, not establish new employers.

We need to help small businesses create jobs. In fact, we need to help *very* small businesses. But what constitutes a small business and what might constitute a very small business?

The U.S. Small Business Administration doesn't give a single definition for what it considers a "small business." In fact, there's an entire 44-page document called "Table of Small Business Size Standards Matched to North American Industry Classification System Codes" that defines what's considered "small" based on either revenue or industry size.

For example, if you happen to be in the "Frozen Cakes, Pies, and Other Pastries Manufacturing" business, you're a small business if you have less than 500 employees. On the other hand, if you are in "Cookie and Cracker Manufacturing," you're only small if you have less than 750 employees.

I know, it's crackers.

In any case, the SBA considers most businesses under 500-1,500 employees to be "small". But that's a far cry from businesses with less than 10 employees.

Recall that all indicators are that companies with less than 10 employees can practically double in size in a few years, but for companies with hundreds or thousands of employees, that's far less practical.

And that's why I've started using the term "very small business," because the primary engine for the creation of 20 to 30 million jobs has to be, must be, can't be much else other than very small businesses growing just a little bit less small.

Recall the numbers showed that by slightly growing most of our very small businesses, we can drive reuptake of all these unemployed individuals. Large companies just can't grow fast enough to double their employment base within a few years, but virtually every very small business can.

It'd be ludicrous to think that Microsoft could go from 93,000 employees to 186,000 employees in two years. It'd be insane to expect IBM to go from 398,000 employees to 796,000 in two years. If they were to grow so quickly, it'd also be impractical to expect all those jobs would be created in America.

On the other hand, no one would be surprised if a small business went from three employees to six. No one would be surprised if a smart entrepreneur boosted his workforce from 10 to 20 in two years.

This is actually a practical solution.

To hire 30 million employees in two years, 3 million very small companies would have to go from employing 10 people to employing 20 people. And all *those* jobs would probably stay here in the good ol' U.S. of A because most very small businesses tend not to outsource, despite what Tim Ferriss' excellent *Four-Hour Work Week* would have you believe.

If we don't do something to make it easier for small businesses to account for their employees, small business operators are going to hire less employees.

About 3.65 million American companies employ nine employees or less. While it's improbable to expect that nearly all small companies could double in size in two years, we can create the conditions for a lot of them to grow. And, if government policy was explicitly aimed at helping small businesses add employees, it might actually happen.

Making it easier for small businesses to hire employees

In today's America, hiring and managing employees can be something of a minor nightmare for small businesses. I'll give you one small example.

In February 2009, Congress passed the American Recovery and Reinvestment Act of 2009, better known as the "Stimulus Bill." Among its many programs was a well-meaning plan designed to increase take-home pay for most workers. $116 billion was allocated to reduce payroll taxes $400 per year for individuals or $800 for families. For the typical individual getting paid every two weeks, that meant about $15 more would be in each paycheck.

That's nice. Everyone can use an extra $15. But what did that one "benefit" mean for the small business owners who had to account for it? Here's what every small business had to do, according to the human resources Web site HRMorning.com:

- Implement new withholding tables
- Begin new reporting duties on Form 941
- More carefully track the wages of certain employee populations
- Change the amount of tax-free transit benefits
- Process more Forms W-5
- Process more Forms W-4

Fun, huh? These new rules may have created a small windfall for tax accountants, but for most already-overworked small business owners, the new rules in the stimulus bill simply meant more work and possibly more expense.

America has regularly taken runs at streamlining the tax system, but if we don't do something to make it easier for small businesses to account for their employees, small business operators are going to hire less employees.

In fact, speaking from personal experience, it was a huge leap back in 1987 when I hired my first employee. Not only did I need to make sure I had enough income to pay her, I also had to implement an entire structure of accounting and processing, hear *everyone* advise me not to hire people because of the hassle, talk to an accountant three or four times, visit the local, state, and federal tax offices, and generally waste nearly a month of what could have been business-building time futzing with nearly incomprehensible rules I barely understood.

Sure, there are a lot of tiny companies who aren't hiring because they can't afford to, but there are also a lot of successful, individual freelancers who are not hiring their first employee because of the convoluted payroll tax hassle.

I've talked to hundreds of small business owners and freelancers, and each of them told me was that payroll tax was too complex, too costly, and took too much time.

Dumping policy problems on employers is not helping to save jobs.

If we can make payroll management much easier for those first few employees, we'll see a boost in employment. Guaranteed.

In fact, if you want to see a few million people suddenly get jobs, allow companies with less than 5 employees to skip payroll tax management completely. You'll see a huge uptake in hirings of that second, third, fourth, and fifth employee.

You might think that's impractical, because, after all, who then pays the employee's taxes? Who withholds employee pay? How do you make sure the employee isn't stuck with a huge bill at the end of the year?

That's a logistical problem, but it once again showcases that dumping a policy problem on employers (we're doing it with health care, as well) is not helping to save jobs.

Eliminating very small business payroll management *is* doable, though. We could set up some kind of payroll savings account with banks (although those folks haven't acquitted themselves well in a while). We could make it really simple for small employers, perhaps just requiring deposit of single, fixed percentage of pay (say 2%) into payroll accounts. Or we could just skip the whole thing and give a tax break to people who work for companies with five employees or less.

If you want to see the economy blossom, try that out for size. Just let any person who works for a company with less than five employees keep his withholding money. Small companies would grow, prospective employees would see a newfound benefit in working for upstart companies, and the overall economy would grow enough to offset the small amount of tax losses.

Let's game this out. America has a ton of very small businesses with less than five employees. If we let employees working for companies with less than five employees keep their withholding money, that withholding revenue wouldn't come into the treasury from these companies. Other companies might try to game the system, splitting themselves into a series of very small business, but the extra paperwork required to run a bunch of very small businesses would probably not be worth the hassle.

On the other hand, you'd have a lot more employees out there spending money. That money would flow back into the economy. Plus, you'd make it easier for small businesses to grow and attract employees. Even though flipping from four employees to five might mean a paycheck hit for individual employees, presumably, the business would have been strengthened enough to offset the course.

On the other hand, this scheme might also create an artificial 5-person ceiling for small companies. Nothing's perfect, but we need to explore new and innovative ideas. Some will work, some won't, and some will have unintended consequences. The idea is to make positive changes and continue to refine how we operate on a policy level. The world is changing around us, and that means we need to change and evolve just as quickly.

Alas, like a not-stupid implementation of a flat tax, freeing very small businesses from payroll tax management will probably never happen.

But we could help tiny businesses and freelancers transition to hiring those first employees. And we could encourage hiring by very small companies. And we could do it through the unemployment agencies already in place.

Subsidizing very small business payrolls

We could help tiny businesses and freelancers transition to hiring or adding to those first employees by paying their payroll, or at least a part of it.

That's not as farfetched as it seems. In fact, the Florida workforce board WORKFORCE plus has a program that might serve as something of a model. They call it, simply, on-the-job-training:

> *This reimbursement program for employers provides up to 50 percent of salary costs for up to eight weeks. The employee must be a new hire, and the employer must agree to train the individual to maximize the potential of the new hire. On-the-Job Training is generally conducted on-site at the place of business, but it can also be done in conjunction with classroom training at educational institutions.*

I think this is a good start, but it's important that a program like this be tuned for smaller companies. There's no reason to reimburse, say, Wal-Mart or Harris (the defense contractor that's one of the biggest employers in my town) for half of the salary costs of a potential new hire, but it could make all the difference in the world for a tiny employer.

If we want to jump-start waves of hiring in small companies, help very small companies reach a level of critical mass, and enable those companies with just a few employees double in size, we should target salary subsidies to them.

Consider a program with an 80% salary reimbursement program for companies with less than ten employees, and have it run for a full six months.

I'm fully aware this would be a costly program, but that one or two additional employees for a small company (or, especially, a freelancer) could mean the difference between never growing employee count, or starting a cycle where the employee count goes from one to two, from two to three, from three to five, and from five to ten, all within a year or so.

New jobs would be created and those new employees would then be added to the roles of people who pay taxes *into* the system, rather than cost it money.

Using education to kick-start job creation

Education is another way we can help kick-start job creation. Although some workforce agencies have some small training programs available for potential workers, virtually none of them push workers to earn a college degree or a professional certification.

The 2009 stimulus bill attempts to help out with that as well. According to the government's Recovery.gov Web site, one of the things the stimulus bill will do is:

> *Increase college affordability for seven million students by funding the shortfall in Pell Grants, increasing the maximum award level by $500, and providing a new higher education tax cut to nearly four million students.*

The Pell Grant (named after United States Senator Claiborne de Borda Pell) is a form of education grant aimed at lower-income Americans. If you qualify, you can get up to about $5,350 per year, for education. Prior to the stimulus bill, that maximum was $4,730 — and while I'm sure the extra $620 is appreciated by students, it's not enough to transform America's educational landscape.

Pell Grants also fail for the newly unemployed who used to earn more than about $40,000. If you've been solidly in the middle class and now find yourself without employment, you might not be able to qualify for a Pell Grant until you're out of a job for a year or more.

They're designed to work with the most established employers, not establish new employers.

There are other education benefits related to the stimulus package, including the Hope and Lifetime Learning tax credits, but neither of these will cover a full tuition program and both have considerable eligibility limitations. More to the point, if you're not earning enough to pay much in taxes, neither of these will give you money to go to school. You have to be able to afford paying for school upfront, then file your taxes at the end of the year for repayment.

Both of these are well-meaning benefits, but neither will change the face of American unemployment.

Workforce development

Ohio State University professors Ronald L. Jacobs and Joshua D. Hawley struggle with the concept of "workforce development" in their paper, "Emergence of Workforce Development: Definition, Conceptual Boundaries, and Implications."

I'm pointing this out, because if the term we use to describe the tools, policies, and agencies who help create jobs needs a 31-page paper just to confirm that the definition is amorphous, it might be an indicator that our job creation programs also lack focus.

America's "workforce development" effort is largely spearheaded by a special kind of non-governmental organization called a workforce board. According to the National Association of Workforce Boards:

> *In 1998 the entire federal approach to workforce development was reformed under the Workforce Investment Act. In the process... Workforce Boards [were] authorized.*

If you've ever been curious why there's such a disconnect between the needs of freelancers and small business employers, and the job placement services provided through workforce boards and unemployment agencies, this is it:

> *Private employers must comprise a majority of each Workforce Board and the chair must be elected from the private sector membership. Workforce Boards should be representative of the employer mix in the community, in terms of both size and type of industry.*

The Workforce Investment Act of 1998 requires the formation of these boards, and in an effort to get more involvement from local businesses, a certain number of board seats are allocated to local employers.

As you might expect, a typical placement professional would seek out the major employers in a region, figuring that time spent with a few key employers would yield the best results. This approach effectively shuts out the smaller employers and to a large extent blocks access to jobs that might be created at all those very small companies.

In effect, workforce boards and the Workforce Investment Act block the rise of the entrepreneur society we're going to need so badly because they're designed to work with the most established employers, not establish new employers.

According to the Web site AmericanCommunityColleges.com, there are 1,151 community colleges in the United States (it was much harder to find this number than you might think). According the U.S. Department of Interior, there are 3,141 counties and county equivalents, or about one community college for every two counties country-wide. And, according to the National Association of Workforce Boards, there are about 650 workforce boards.

Bizarrely enough, even in Oregon, which has a state agency specifically called the Department of Community Colleges and Workforce Development, virtually no workforce board (where unemployed workers go for help) has offices located on a community college campus.

This needs to change. In fact, the community college systems and the workforce development systems in their various regions and counties need to develop closer ties — not at the management level, but in how they present their client services face to unemployed individuals.

There is, however, a practical problem in linking higher education with the time spent getting unemployment compensation. Unemployment compensation usually won't pay the rent or the mortgage, and most of the government-provided education benefits won't pay the full tuition for a student. Plus, even the most limited associates degree takes two years, while most unemployment compensation programs run out at six months.

Although many community colleges have added certificate programs, most professional certifications don't have the level of financial aid available that degree programs have.

This is unfortunate, because many certification programs (Microsoft's Certified Systems Engineer, or MCSE, is an example) certify individuals as having the ability to do specific jobs. If you want to hire a systems engineer to keep your Microsoft network up and running, you stand a much better chance of getting someone who can do the job if he's MCSE certified.

Certification programs are often shorter in duration and designed for completion after work hours, unlike many degree programs which require the student to be available on campus during traditional work hours. More and more students are getting online degrees, but even online degrees can't compete with professional certification programs for both helping the student qualify for specific types of jobs and accessibility for students who are working.

That's important, because while the ultimate goal for an unemployed individual is to get a job, it sucks if she's got to make the choice between finishing the degree she started while unemployed, and taking the job she needs to pay rent. Ideally, her educational program should continue on, even after she's gotten a job, making her all the more skilled for the job she's now in, and all the more marketable if this one goes away.

Financial aid and tax breaks for education still have something of an old-school feel to them. Many are for younger individuals, people coming out of high school, and people who are in traditional degree programs.

If education is going to help the unemployed move to employment, financial aid for education has to be optimized for older workers who are now unemployed, and also has to have provisions for providing financial aid for recognized professional certification programs as well as traditional degrees.

The National Skills Database

If unemployment has one specific paradox, it's this: employers often can't find qualified employees at the very same time qualified employees are looking for employers.

That's because our methods for connecting qualified prospective employees to jobs are also a patchwork of systems, programs, and, well, Craigslist.

When I grew up back in the dark ages before the Internet, the very first place you'd look for a job was the newspaper. In fact, when I was a newly minted engineer living in Silicon Valley during a bit of a boom time, there was a virtual cornucopia of employment opportunities listed every day in the back of the San Jose Mercury News. The paper was dominated by huge display ad after huge display ad, costing the hiring managers a whole lot of money — but back then, if you need skilled people, you paid the price for the ads.

Supporting that boom market was also an army of professional recruiters. At least once a month, I'd get a call from a recruiter pitching me on this job or that. I wound up listening once, and took a job at a venture-funded startup called Pyramid Technology that was, in a sense, a graduate school education in 1980s-style startup management.

Recruiters were also expensive. They got a big chunk of your first year's salary as their fee, paid for by your employer. A single, good placement could net them tens of thousands of dollars.

Recruiters and newspaper want ads are still out there, and for certain positions, they're valuable additions to the hiring manager's arsenal. But it's all very catch-as-catch-can, in that you've got to read the right paper, be on the right recruiter's list, and be in the right region.

Web sites like Craigslist, Monster, Dice, and even the social networking site LinkedIn have jumped in to help make finding positions easier. Craigslist, of course, is the king of all want ad sites, and if you want a job, you should look there, first. But it's also completely chaotic and barely controlled. It's more like a visit to a Wild West town than a structured resource.

Craigslist is so focused on the local, it also doesn't allow you to search nationally — you have to dig through each local area to find what you want. A number of enterprising Web developers have attempted to remedy this problem by creating Craigslist search aggregators, and as soon as one is discovered by the Craigslist techies, they instantly block access. Craigslist *really* doesn't want you searching nationally.

Many of these sites help people find jobs, but one thing they don't do is help match skills with needs. If you're a prospective employer, you can go to Monster and can sift through a ton of resumes — if you're willing to pay at least $650 for two weeks. And if you want to be able to look at resumes all year, across the country, it's going to cost you a cool ten grand (ok, really $9,995) for the privilege.

Once again, that's out of the range of very small companies.

What we need is a National Skills Database. This is an online resource that connects prospective employees with prospective employers, across a wide variety of skills. Rather than being indexed by job title or full resume, it'd be indexed by the set of skills needed.

This can reduce a lot of hiring confusion. Let me give you an example from my own career history.

Back in the day, I was once a product manager and then a Director of Product Marketing (basically, someone who managed product managers). I had a lot of job responsibilities, but one key area was creating specifications for new products, another was writing the marketing literature for the products, another was competitive research, another was crafting press releases, and yet another was coordinating teams of engineers.

What if you're a hiring manager and you want someone to write press releases? You might not search for "product manager." You might search for PR representative, marketing communications manager, or some other set of job listings. And you might find some people who fit.

Now, what if you wanted someone who could write press releases, understood the Linux operating system, and could make sales presentations? That's a unique set of specific requirements and a single job title might not find you the skilled person you need to do the job.

This is where the National Skills Database comes in. Any American who wanted to could sign up for the service (for free, of course). You could list not only employment history, but all the individual skills you have. You could also add skills not already in the system.

I have a business friend who is not only an excellent Macintosh programmer, he's got a Ph.D. in ancient greek, and has spent years as an editor. I have another Ph.D. friend who has written many of the psychology texts in use today, but spends his days as a book agent. I have another friend who customizes hot rods, but makes his living setting up computer networks.

All these people have diverse skills and while their resume might imply one thing, their complete collection of skills provides a much better picture of who they are.

By registering their information with the National Skills Database, each of them would be available to be discovered by prospective employers. Each person in the database could flag himself or herself as available, not-available, or willing to consider new opportunities.

Employers could search by a wide range of interconnected skills, titles, regions, and more. Let's say you're a small employer making iPhone applications and you are making an education app about ancient Greece. Wouldn't it be cool to sift through the skills database and find the one guy who can program iPhone apps, but who also speaks ancient Greek? Even if he's currently employed, you might be able to hire him for a few hours of review or consulting help, or he might have just been waiting for an opportunity like yours.

Current online resources provide elements of the National Skills Database. LinkedIn is an excellent resource for finding out a person's professional background, but it relies on linking a network of contacts and if you're not in the right network, you can't connect.

Craigslist offers a ton of listings at very little cost to employers, but you can't search across cities. Monster has a national search capability (as do most of the other commercial job Web sites), but it can be very costly for employers.

Even eBay provides some value here, since eBay has a rating system where people who have done business with eBay buyers and sellers provide ratings, which help determine how well someone can be trusted in a transaction.

If we were to build a National Skills Database, we could combine some of these features, the resume and recommendation features of LinkedIn, the virtually free job listings of Craigslist, the trust rating system of eBay, and the powerful search capabilities of Google.

The National Skills Database is another project of the nonprofit U.S. Strategic Perspective Institute. If you're interested in helping us put this project together, please visit NationalSkillsDatabase.org.

PART III

TIPS & TECHNIQUES YOU CAN USE RIGHT NOW

Powerfully effective hands-on tips, techniques, and strategies that you personally can take to keep and create jobs, without waiting for or relying on politicians to get their acts together.

CHAPTER 15

Luck is a skill

Up until now, this book has been about how America got into its current jobs fix and my broad policy recommendations for turning things around. That's all well and good, but if there's one thing I'm sure of, it's that none of us here in America feels particularly safe waiting for our politicians in Washington to get it right.

This chapter begins the third and final section of *How To Save Jobs*. It consists of a series of hands-on tips and techniques, things real people and real companies can do right now to help keep and create jobs.

In the next few chapters, I'll show you techniques for dealing with obstacles and optimizing your strengths. Then we'll explore tactics from managing your cash flow to nurturing your customer list. But first, I'm going to tell you why luck is a skill, and how you can hone that skill to be much more successful.

To do that, I've got some stories to tell...

War stories

It was a long time ago, in a Silicon Valley far, far away. It was 1989. July. Hot.

I was *so* very young. No one had yet heard of the Web, dot-coms, Amazon, Yahoo, Google, Twitter, Facebook, or YouTube. No one had heard of my company, either, but that was about to change.

Sweat was dripping down my back. I was thankful for my navy blue suit which (mostly) hid the puddles of perspiration under my arms. The main ballroom in San Francisco's Moscone Center was packed with more than a thousand people. In five minutes, I was due on stage.

The next hour would determine the fate of my company.

I was orchestrating one of the wackiest Hail Mary plays of my professional life.

If my presentation failed, my last, desperate hope to keep my business afloat would fail with it. I would be forced to close the doors, lay everyone off, and join the unemployment lines.

But, if my presentation succeeded, we'd have a real chance at the brass ring.

Standing at the speaker's podium, another droplet of sweat landed squarely in my eye. The pressure was intense.

This was the first-ever Multimedia Expo and the big players were out in force. Visionaries, opportunists, and practical business managers had started to see signs of a major transformation in the way we interacted with computers, telephones, television.

"Multimedia" was the buzzword of the day. While the entire movie industry of the time generated only about $5 billion or so each year, the combined revenues of computers, communications, and entertainment would reach hundreds of billions of dollars. Multimedia was going to be big. Everyone could smell it.

It was *so* 1989. Back then, no one had a clue about the tsunami-to-come that we all now know so well as the Web. Back then, most people in the computer and entertainment industries believed that there'd be some value in video, sound, and graphics on computers, but none of us knew where it would lead.

We were at the expo to celebrate the birth of something that would grow far beyond our wildest imaginings. Wonders we take for granted today, iPods, iPhones, Google, Twitter, Amazon, Gmail — and so much more — were at least a decade in the future. YouTube wouldn't exist for another 16 years.

If you've ever wondered how something like the video technology behind YouTube got its start, I was there. I was about to give the presentation that would start it all.

Apple had invited me and my tiny company to take its place and give the keynote address for the first Multimedia Expo. It would have been a total rush if it weren't for the fact that my company was on life support and I was orchestrating one of the wackiest Hail Mary plays of my professional life.

Back then, I owned a company called Hyperpress. I'd been my own boss for a little over two years and I was learning how to be a CEO on the job and under fire.

I'm now more than 20 years older and hopefully, a little wiser. The ups and downs of Hyperpress provided me with an excellent learning experience, some serious heartburn, at least 10 extra pounds, and the first of my gray hairs.

Aftermarkets

Hyperpress was an aftermarket company. What's an aftermarket, you ask? The car business is well known for its aftermarket. Aftermarket parts make cars go faster and look snazzier. In fact, if you own a car that's no longer made, like a classic 1964 Ford Mustang, the only way you can get parts is by going to an aftermarket company that sells parts for the car.

Aftermarket is defined as a secondary market selling additional parts and accessories for a product. For many cars, the big opportunity for aftermarket suppliers arrives once the car is no longer made. Some aftermarket suppliers even build complete replicas of older car models.

We were trying to make it through the fifth or sixth month of our near-death experience.

The computer business also has an aftermarket. A computer is merely a boat anchor without the software that runs it. Not only do the computers themselves inspire aftermarkets, so to do the software systems that run on them. Microsoft Windows has a huge aftermarket, as does the Macintosh.

Subjectively smaller products, like Adobe Photoshop, also have aftermarkets. In Photoshop's case, a bunch of companies make products to enhance Photoshop's photo editing capabilities or give it new photo effects.

My first company, Hyperpress, was an aftermarket supplier. The product we were adding value to was Apple's HyperCard, which ran on Macs.

HyperCard was a piece of software ordinary people (those who aren't programmers) used to build their own pieces of software. Think of it as sort of a "software erector set." Before HyperCard, the task of building new software fell primarily to experienced programmers and designers. Apple's HyperCard was different. It made it much easier to build your own software.

In a sense, HyperCard was the forerunner of Web pages. Although making a Web page takes some minor technical skill, almost anyone can create a Web page with the right tools. Apple's HyperCard was the very first generally available software product that made it easy for anyone to make their own software. For the time, it was quite revolutionary.

Way back then, our products at Hyperpress made building software with HyperCard easier, faster, and snazzier. We were just like a car aftermarket supplier, except we sold software.

Instead of Web pages, HyperCard thought of information as cards. The cards would link together in much the same way today's hyperlinks link one Web page to another.

HyperCard, of course, didn't have the Internet. If you built something for HyperCard, you couldn't just post it online for all to see. You had to somehow develop a distribution channel, packaging, logistics, and shipping to distribute your creation.

It was all very old-school and some of our strengths at Hyperpress were that we'd established old-school distribution channels and packaging operations.

The danger of being an aftermarket supplier

Within a few years of HyperCard's launch, it became apparent that only a small fraction of the people with HyperCard on their Macs actually tried to write programs, even programs as easy to write as HyperCard stacks.

The folks at Apple began to lose interest. They reduced staffing, moved HyperCard around between groups and subsidiaries like an unwanted stepchild, and stopped shipping it with every new computer.

The trade press, which even to this day watches Apple with all the attention normally reserved for a Britney Spears, quickly discovered that HyperCard had fallen out of favor.

Articles started calling HyperCard a failure and it became a favorite game of tech journalists to predict when Apple would discontinue the product. Many of those who actually had a need for HyperCard started to look elsewhere for their solutions.

When a car is no longer made, the market for aftermarket parts takes off. Not so with software and computers. When a computer or software environment is no longer made, the aftermarket collapses immediately.

Those companies whose fortunes were tied to HyperCard felt the effects. Sales dried up overnight. Consumer interest waned. Investors no longer were calling. Money stopped coming in.

There were still bills to pay and paychecks to sign.

Of the two hundred or so aftermarket companies that based their business on HyperCard, only about five (including mine) survived the first few months of HyperCard's bad press. Despite being survivors, all of us were in very bad shape — days or, at best, weeks from running out of cash.

That's why, if one month earlier you'd told me I'd be giving the keynote address at the hottest ticket in town, I'd have laughed in your face — and then sat down and cried. My company was in trouble. Our market had collapsed and we were out of cash. Our prospects were plainly bleak.

Change happens

Our first lesson on how luck can be a skill begins by going further back, to one month before the show at Moscone Center. It was the middle of May in the year 1989. At Hyperpress, were trying to make it through the fifth or sixth month of our near-death experience.

The HyperCard market meltdown happened in the months just before the Multimedia Expo. Had you told me that I'd be at the biggest tech event of the year, showcasing the hottest product of the show, I'd have thought you were completely out of your mind.

Hyperpress had no multimedia products. We had no funds with which to develop anything. And we certainly couldn't have anything ready in a month.

At its most fundamental, the practice of marketing is the practice of generating serendipity.

One of the survival tactics we had begun using was called "Anything for a buck." We talked to every company who would listen and tried to sell them any (legal) service we could perform. The short term goal was simply to stay in business until we figured out how to recover from the HyperCard aftermarket's collapse and move into a new area of business.

I'd managed to score a few minor deals and, by imposing draconian cost controls, I was making payroll. Just barely.

In desperation, I visited with Bill Atkinson, one of the original designers of the Macintosh and the creator of HyperCard. Over a meal of soft ice cream and french fries, I picked his brain for any ideas he might have.

I don't know exactly what I expected Bill to advise, but I didn't expect him to tell me that if the HyperCard market wasn't strong enough, I should move on to greener pastures.

At first, what he recommended really surprised me. If HyperCard was to have been a sacred cow to someone, you'd have expected it to be so to Bill. After all, he was its creator. The practical lesson here is this: there are no sacred cows. That was deep. Do what needs to be done. Remember that. It's powerful.

Most important of all, Bill gave me a lead. Bill told me about a company that was doing successful custom programming work. He suggested I call on them and see if I could get some sort of subcontracting gig.

Shamelessly dropping Bill's name, a few days later I was at a company I'll call "Prosoft" (not their real name). They had gorgeous, custom-designed offices. By contrast, ours could be best described as "used-office furniture cheap."

Everything at Prosoft was a color-coordinated teal and off-white . Their furniture appeared to be spotless and new. Employees could be seen everywhere, typing in front of big-screen computer displays, all apparently intent on their creative process. Prosoft looked vastly more successful than we were. It was a very intimidating and a little demoralizing.

There we were, my sales manager and I, waiting outside the office of Prosoft's president, intending to ask for any hand-me-down project he could spare.

After waiting for what seemed like hours (it was really just five minutes), we were ushered into his plush office. This CEO had a leather couch, which at the time made quite the impression on me. After the usual pleasantries and before we got the chance to beg for work, Prosoft's president told us about a new technology his company had been working on.

Remember, this was *way* before Internet video or even DVDs. Back in 1989, DVDs were still at least four years into the future. There was one rotating-media video format though, the laser disc player.

Laser disc was actually a surprisingly old format, having been invented in 1958. These players never really caught on because they used expensive platters almost a foot in diameter, pretty close in size to an old LP record, but shiny silver instead of black.

Using spinning platters was revolutionary for video. By spinning and seeking, laserdisc players could access any clip on the disc virtually instantly. By contrast, VCRs needed to spool out lots of tape to find the correct scene.

Laser disc players had been used with computers for some time, but their output always went to a separate TV screen and was never displayed on the same screen as other computer content.

Prosoft's engineers changed all that. They could control where on the screen a video image was placed. Since they could put both the video image and computer-generated information on the same screen at the same time, and precisely and instantly control what video clip played when, they had effectively invented interactive, on-demand video.

This was much more than just turning a computer screen into a glorified TV set. The potential for training and entertainment was astounding. This was real, honest-to-goodness multimedia that was both new and ground-breaking.

My sales manager and I were amazed. Hyperpress had nothing even remotely that sophisticated. In fact, no one did. It was a truly breakthrough technology. By contrast, *our* best-selling product was a $49 collection of icons, pretty pictures for your desktop.

If we had been intimidated earlier by the fancy furniture and the custom-designed offices, we were even more intimidated by the technology we'd just seen.

What could we possibly offer a company that apparently had so much money and so much technology? Prosoft's president had something in mind, and it was a shocker.

He told us he wasn't able to bring this amazing video technology to market. He didn't perceive Prosoft as being able to do the marketing and generate customer interest. Would we, Hyperpress, be interested in acquiring the exclusive marketing rights to this technology?

Well, *yeah!*

This could be the break we were looking for. Except, well, you know, uh, there were a few, um, minor...complications:

- We didn't have any money to acquire the marketing rights
- We didn't have any money to package or market the product
- We didn't even have the computer hardware that could run it

It was time for some fast thinking. Doing my absolute best to keep a straight face, I told Prosoft's top dog that we'd be very excited about marketing his product, but we didn't usually pay anything in advance for marketing rights. Instead, we'd pay a fair and aggressive royalty based on actual sales volume.

Much to my complete surprise, he bought into this reasoning. Within a few days, we put together a product launch plan and managed to get a finished, signed contract. The contract had us paying a slightly larger than normal royalty, but it had Prosoft kicking in some marketing dollars for a launch at the Multimedia Expo.

Yeah...there was...that.

The one value-add we theoretically brought to the table was what Prosoft's president *perceived* as our ability to market the product. Except, well, we didn't have any marketing budget with which to market their product.

To be fair, it wasn't that we didn't have a marketing *budget*, it was that we didn't have any money, period. Somehow, I was going to have to manifest some form of event marketing and create a launch event out of thin air.

That didn't prevent me from promising Prosoft I'd get booth space to show off the as-yet-unnamed new product. I shamelessly proposed a deal where Prosoft would pay half the booth space cost and I'd pay the other half. Of course, we didn't have the money for our half, but Prosoft didn't know that.

It was time for some creative dialing.

After a bunch of calls, I found my angel. I'd located a book publisher and offered to let one of his authors do book signings in our booth — if the publisher would help us pay the booth fee. Amazingly, the publisher signed up and paid half the booth fee (the other half). I felt a little like a latter-day Tom Sawyer. I got my booth and didn't have to pay for it.

This is was clear lesson in opportunism and the need for flexibility in business. Prior to stumbling onto this interactive video opportunity, we were in deep trouble because our market had collapsed. I didn't have the luxury of being stiff and inflexible. The opportunity came along and I grabbed it.

A lucky break

I've told this story before. It's an excellent example of seeing an opportunity and making an instant course correction to take advantage of it. This story was also one of my earliest object lessons in how quickly things can actually change for the good. It *is* actually possible, when things seem bleakest, to transform situations into something better.

When I tell this story, invariably someone in the audience calls me on the "bit of luck" element of my tale. After all, I was just lucky. This situation's not applicable to other people, I've been told, since you can't count on luck.

Others might not be so lucky, I've been told. You can't base a business strategy or a business lesson on one lucky event, I've been told. After all, I was just lucky.

All true. But the thing is, "just lucky" can be codified into a business principle.

Luck is a skill that has three core elements. I'm going to teach you those right now. The three elements that let you use luck as a skill are:

- Serendipity
- Putting yourself out there to generate serendipity
- Recognizing when serendipity happens and using it

Serendipity

There are many definitions for *serendipity,* but my favorite is the one in Wikipedia:

> *Serendipity is the effect by which one accidentally discovers something fortunate, especially while looking for something else entirely.*

In a sense, serendipity is luck. Many would argue you can't decide to "accidentally discover something fortunate," and, in a sense, they're right. You can't decide to "accidentally discover" anything. But you can create an environment where you increase your chances of doing so.

At its most fundamental, the practice of marketing is the practice of generating serendipity. When you're doing a direct mailing or buying a television ad, putting up a blog or posting to LinkedIn and Twitter, you're trying to get people you don't know to suddenly decide to give you money in return for whatever product or service you offer.

You might market to a million people in order to get one hundred into your store. You probably don't even care which hundred people show up, as long as there's enough of them.

If you're an individual, you might put yourself in front of hundreds of people in order to get one or two to offer you a gig. Again, it almost doesn't matter which of your Twitter followers or blog readers hire you, the idea is that you get work.

Putting yourself out there to generate serendipity

That brings us to our second principle of luck: putting yourself out there to generate serendipity. In order to find the amazing video product I described, I had to make a bunch of phone calls.

One call I made took some real courage. I had to call the inventor of the product I based my business on and beg for a meeting. I then had to show up, admit my business was having problems, and ask for help. I then had to call the lead he gave me.

Even now, I put myself and my business out there all the time. I never know what's opportunities will come back. I'm a guest on TV relatively regularly, on the radio once every other week or so, and I've been written up in newspapers and on respected Web sites hundreds of times in the last year alone.

That's because I regularly send out very topical press releases and mailings. I write articles and columns and blog posts. I write books. I post YouTube videos. I schmooze whenever I get the chance. I regularly call up people to pitch them on deals, and now, to help America by supporting the nonprofit *How To Save Jobs* causes.

I never, *ever* know who's going to respond to my outreach, or what's going to be the trigger that'll cause a response, but the opportunities keep coming.

Marketing in the form of advertising and public relations can help foster serendipity. Calling people can do so as well. It doesn't matter exactly what you do, as long as you're regularly reaching out.

Recognizing when serendipity happens and using it

And that brings us to our third principle: recognizing when it happens and using it. I gave you one example when I started this chapter. My sales manager and I went into Prosoft looking for some subcontracting work and we wound up with an amazing product.

I'll give you another example — one that's proved valuable for almost 20 years.

Getting lucky

One afternoon in 1992 or so, I got a call from an information technology manager at *The New York Times*. Back then, the *Times* used a very early version of Lotus Notes as their sales management environment. Some of her sales people had asked her if there was any way she could make their Lotus Notes-based sales management system look more like Apple's HyperCard.

Because she didn't know, she called Apple. And because she was in New York and I was next door in New Jersey, Apple gave her my name. At the time, I was still running Hyperpress, and while I had only vaguely heard of Notes, I was very well-connected in the HyperCard scene.

Unfortunately, I had to tell her that there was no real way to make Notes work with HyperCard, but her call got me interested. After all, if *The New York Times* relied on this Lotus Notes thing, perhaps there was a business in it.

There sure was. Lotus was bought by IBM in 1995 for about $4 billion. Notes is a groupware and collaboration product used by the world's largest businesses to keep everything on track, and everyone coordinated with everyone else. To say it's a strategic business application is an incredible understatement.

Eighteen years (and a few million dollars) later, I am still making money from Lotus Notes. I started off by writing the first business book on the product. I then partnered with Ziff-Davis, then the leading technology magazine publisher, and published three Lotus-related publications.

When it became clear that Ziff's print publishing business was losing to the Web, I started ZATZ and launched *DominoPower Magazine*, named after the server half of the Notes/Domino product IBM now sells. We've published *DominoPower* every month since August 1998 without a single interruption.

The call from *The New York Times* was serendipity. Creating an environment where Apple would refer a call like that to me, and knowing enough to pay attention to the call — that was skill.

And so it is with luck. You'll never know where the opportunity will come from, but if you've done enough promotion and marketing, and if you're smart enough to see something special when it's right in front of your nose, you'll be luckier than you've ever thought possible.

I'm a very lucky man. I'm so lucky, in fact, that I hit the jackpot in Las Vegas back in 2005. I married the woman of my dreams at Graceland Chapel. We were married by an Elvis tribute artist named Norm.

I'm not bragging when I say I'm quite lucky and I generally get what I want. That's because I'm highly attuned to interesting and unusual opportunities, and I do my best to pay attention to them when they flit by. I'm telling you these stories beause I want you to know that luck is a skill that you, too, can cultivate.

The stories in this chapter also are examples you can take to heart for yourself or your company. One way to increase your flow of opportunities is to turn yourself into someone who is lucky.

Using the three principles I described (serendipity, putting yourself out there to generate serendipity, and recognizing when serendipity happens and using it), you can substantially increase your chances of experiencing luck.

Of course, luck isn't the whole answer. We're only in the first chapter of our hands-on tips and techniques section. The rest of this book will help you understand how to truly reinvent your company (or your life), unlock your strengths, and prosper in our wildly changing world.

CHAPTER 16

Doing well by doing what you're (really) good at

Understanding what you're good at, your strengths, can be incredibly empowering.

On a any given day, we all experience the nitty-gritty details of our lives. We have mounds of voice mail, piles of email, requests from customers, and probably a to-do list that stretches from Maine to Florida. But we don't often allow ourselves to see the simple magic that ties it all together.

If we don't let ourselves see the magic, we won't have a chance to spark our creativity

Any functioning organization is 96% magic. That any organization functions at all is often nothing short of miraculous. Think of all the variables that must come together for even the simplest sale — the products that must be designed, the marketing campaign that must be launched, the raw materials that must be purchased, the prospects that must be reached out to, the orders that must be processed, the packages that must be shipped, and the money that must be raised to fund it all.

A functioning family is equally miraculous. Making sure the house is clean, shopping for food, figuring out how to turn all those basic ingredients into meals, keeping gas in the car, paying the bills, taking the kids to the doctor, fixing up the spare bedroom — and on and on and on.

Even though all the work seems to blend into the background on a day-to-day basis, the systems we set up to run our businesses and manage our lives are, in many ways, nothing short of wonderful. Frankly, I find it all somewhat amazing.

Let's look at a simple example: old-school, paper, catalog mail order. Even though lots of commerce has moved to the Web, old-school, paper, catalog mail order is still a surprisingly booming business. Here's how it works.

When a mail order company sells a product through direct mail, the process of finding customers is pretty neat. Let's say a company mails to 100,000 people. This means that 100,000 individuals are each delivered catalogs. When mailing across the country, this often means that close to 100,000 different letter carriers are taking the time to make the delivery.

Out of these thousands of hands — this human haystack of bulk-rate mail — 2,500 or so customers will eventually emerge. With the power of great copy, they're compelled to reach for their phones and dial ten numbers in unique combination (paper catalogs often include Web addresses, but a surprisingly large number of catalog buyers still call the 800-number). Shortly after the order is placed, a product designed to appeal specifically to these individual buyers is winging its way across thousands of miles while the selling company's bank account is enriched slightly by the event.

It's a ballet of business processes, distribution, and promotion. And that doesn't even include all the effort made to create or acquire all the products, warehouse and pack and pick, photograph everything in the best possible light, design and format the catalogs, and manage them through the printing process. Of course, it's easier on the Web, but even a Web-based business needs to pack, pick, design, photograph, and then do all of the engineering work to run a solid, reliable, secure e-commerce site.

In our workaday world, most catalog mail order business operators don't often take the time to see this magic. They worry about the cost of postage, the likelihood that the post office will lose another mailing, the question of having the right price, the need to get products completed on schedule, the risks of returns, and so forth.

These are all legitimate concerns. But if we don't let ourselves see the magic, we won't have a chance to spark our creativity.

SWOT analysis

In *The Flexible Enterprise,* I spent a considerable amount of the book talking about how strengths, weaknesses, and lacks combine to create a picture of an organization's overall effectiveness.

Albert Humphrey, working at Stanford University in the 1970s, came up with a similar program that's still quite popular to this day. It's called SWOT, and it stands for Strengths, Weaknesses, Opportunities, and Threats.

I've always liked SWOT in the abstract, but I've also always been concerned that it rated all four factors on a relatively equal basis. I've always contended that it's mostly your strengths that help you succeed and so its your strengths that deserve most of your attention.

Knowing your strengths

Simply stated, a strength is anything your organization does well or is of benefit to your organization. Here are some examples of "public" strengths:

- Apple is known for its design aesthetic. If you buy from Apple, you can be reasonably sure the fit, finish, and style of every product have been sweated over obsessively.

- Google was originally known for the size of its search engine database, but now, Google's biggest strength is its near universal brand recognition.
- Coca-Cola is known for its brand, but to this day, the exact formulation of its signature flavor remains a closely-guarded secret.
- Disney is known for Mickey, Donald, and Goofy, but it's also a huge media empire with holdings well beyond its signature characters.
- McDonald's is known for its fries, its consistency from store to store, and its cost-effective convenience.

Each of these firms has a strong brand, but they also all have unique strengths that identify them in their markets. These identifying strengths are what are considered "public" strengths.

A public strength is one that an observant outsider (typically a customer, investor, or — often — a competitor) can discern without being inside your organization.

Public strengths are important because they typically determine how your constituencies perceive your organization. When customers are asked about the strengths of Apple, they can often be counted on to wax poetic about their iPod, the style of their Macintosh, or their love of their iPhone.

Use considerable caution when considering and relying on your public strengths. Very often, a good marketing person can put a "spin" on a problem and make it appear to be a strength. Don't get caught up in believing your own marketing! Do good work and make your marketing reflect *that*.

This is true for individuals as well. You might look good in a suit and you might have a great resume from all the right employers, but unless you're both good at your job and there's a job available to be good at, how you look won't help solve your problems.

Private strengths

Private strengths are the cornerstones of strength-based reinvention. These strengths are your real advantages. It's important to understand that private strengths are rarely immediately apparent. They're the things you, your company, or your organization do so well that they're taken for granted.

Every business, from the most successful to the most troubled, does some things very right. Likewise, every individual has some intrinsic strengths and abilities.

The most important part of the reinvention process is identifying these things you do really well — from the simplest office procedure to the massive, company-wide operation. Often, your business or organization's strengths will be small, isolated islands of effectiveness.

The same is true for individuals. You may have a set of skills and experiences listed on your resume, but you might not know all of your strengths if you just read your resume. We talked about this in Chapter 14 when discussing the National Skills Database. In this chapter, it'll become apparent how to find all those neat skills hiding inside you.

Here's an example. I have a friend who's worked in retail all his adult life. His resume lists the title "clerk," followed by store name after store name. His resume doesn't distinguish him from anyone else who might want to work in retail. But my friend has a particularly unique skill, honed over almost 30 years of dealing with customers.

My friend can spot anyone who's going to try to rip off the store the moment the potential perpetrator sets foot through the front door. This unique ability has helped him save his employers hundreds of thousands of dollars, because once you know someone might be trouble, you can be more wary of their actions, more observant of their movement, more cautious, and more diligent.

But until we talked a few years ago, my friend never realized this was a unique skill. It can be systematized, so it's a skill he can teach to store employees. Identifying this strength has helped him pitch himself to prospective employers and clients as an expert in retail security problems and cash-management best practices. It's a big step up from being a basic store clerk.

The key is finding your strengths and using them as foundation cornerstones that will support your entire strategy.

How to identify your strengths

Here's a simple definition: a strength is something you do well. Here are the three rules for identifying strengths:

- Anything you consistently, regularly do well;
- Anything that consistently, regularly generates a positive result;
- Anything that consistently, regularly results in or provides a positive competitive advantage.

The key to identifying a strength is the consistent, regular component of the ability, attribute, resource, or skill. If it's not consistent and regular, it can't be reproduced on-demand and it's not a strength. It's a quirk or a fluke — and quite possibly a weakness.

My friend's success rate in identifying problem customers is astonishing; he's had only one or two false positives (suspecting someone who wasn't actually up to no good) in three decades. Because his skill is consistent, regular, and reliable, it's a strength.

The rules for identifying strengths are highly generalized. You can use broad license when attempting to relate a strength to a business or personal attribute.

For example, you might say that anything that generates a profit is a strength. As such, it would fall under the "positive result" rule. To determine if something is truly a strength, you need to understand the individual attributes that make up a strength.

The problem with many companies is that they listen to their customers without listening to themselves.

The idea behind this is that one larger strength might hold a bunch of smaller strengths, and you want to know about them as well. For example, the huge popularity of Apple's iPod gave it a captive customer base for the iTunes music store, which, in turn, allowed Apple to eventually become one of the largest music sellers in the world.

Individuals also have strengths that can be broken down into other strengths. Another friend of mine used to install high-end car stereos for a living. After a while, he hated contorting his body and struggling under dashboards, and wanted a better gig.

Well, it turns out that one of his strengths was a comfort with technology. He was an avid PC gamer back when being a PC gamer meant you had to tweak your computer a *lot* to make it work well. So he got good at tweaking PCs and *that* strength eventually led him to gigs as a PC technician and then as a systems engineer and IT manager.

How to find those strengths

I hope you've accepted the fact that you and/or your organization have strengths. You also understand what I mean by a strength. But you also probably have some questions.

"Where do I look?"

Good question. Everywhere.

"Do I have to do this alone?"

Of course not. Everyone in your oroganization should be involved. In fact, you'll miss what could be very important strengths if you try to find all of them on your own.

"I don't have time. Why can't I just use those strengths I already know about?"

I guess you could. But you could be missing a powerful tool that could solve some of your toughest problems. You could avoid looking for strengths because you're too busy. Or you could look for them now, and maybe prevent some future crisis and be prepared to leverage a future opportunity. It is completely up to you. It's your business — literally.

I can't tell you exactly where to look for your strengths. You know your business or life circumstances far better than I. You have to look everywhere. The idea is to foster innovation and creativity. Be creative. Have an open mind.

I've told you what to look for. You've seen rules for identifying strengths and their benefits. Just remember that no strength is too small or too obscure. You may choose to do nothing with a teensy little strength that you find today.

That's fine. It will, however, be in your tool bag of strengths the next time you need to tap some internal advantage.

In fact, you probably shouldn't use a newly discovered strength as soon as you find it. Finding strengths and using them are two very different processes. Finding a strength is an analytic process akin to gathering data. Later, when you're hunting for opportunities, you'll be able to connect various strengths together into a new competitive advantage.

Tracking your strengths

The process of identifying your strengths requires both analysis and action. Identifying strengths is a form of data gathering. Like any form of data gathering, there are lots of ways to organize what you find.

You should take this seriously and make a real list of your strengths. Do it in writing. Here's a short list of what you should record for each strength:

- **Short name of strength:** This will give you an easy handle to refer to when talking and communicating about this strength with others.
- **Detailed description:** Your understanding of the strength will be freshest when you identify it. Write a detailed description. Amend it over time as you learn more uses and benefits of the strength.
- **Who identified it:** Often, someone intimately associated with the strength will identify it; you'll need to know who that is for further information.
- **Strength rule:** Which of the three rules does it meet? What are the advantages of meeting each rule?
- **Benefits of the strength:** How can you take advantage of the strength? This is an area that will also (hopefully) grow over time.

There is no "right" way to organize this information, but here are some ways you could approach the project:

- Write down each strength on an index card; write benefits on the back.
- List strengths in a spreadsheet or text file on your PC.
- Enter them into your email's notes section or on your iPhone.
- Create a corporate (or even a personal) wiki and keep them online.
- Organize them in a database or on an internal Web site.

This is your business and your life. You can organize your information as you see fit — and in your own style. However, I often advocate using a computer to help keep track of a changing list.

Gathering and storing strength data is an ideal task for a database system or a private wiki. A wiki is perfect for strength tracking; it's also great for tracking weaknesses, lacks, obstacles, and opportunities. Using a multi-user wiki, anyone with the appropriate access security could add, update, and search for strengths.

Even in a small company, there are often hundreds of strengths. Your understanding of them will change over time. Rather than appointing one person as the "keeper of the strengths," it is far easier for everyone involved to enter and look up strengths on their own.

If you're not familiar with the concept of a wiki, the most famous example is Wikipedia. What makes Wikipedia unique is that everyone who uses it can edit it. You can create pages with topics, and everyone can go into those topics, update them, and refine them.

Wikis don't have to be open to the world like Wikipedia. You can use a private wiki and keep it closed except to a specific set of people you designate. If you want to install your own, personal wiki, a good open source project is DokuWiki. If you don't want to put any effort into it at all, Zoho offers a wiki product and PBWorks.com has a well-respected free wiki tool.

Searching is a big win with databases and wikis. Let's assume you've found an opportunity and want to find out whether your organization can take advantage of it. Using the database or wiki, you can search for various keywords and recall appropriate information records about areas you might use to advantage.

Just the very act of keeping track of strengths is a great advantage. When you print or display a tangible list of all your strengths, it becomes much more difficult to have all that much self-doubt. Here's tangible, undeniable proof that, yes, you can do something — lots of somethings — right.

The strength database is also helpful when you are communicating to privileged outsiders (bankers, investors, spouses) about what you do well. You'll have tangible evidence of much of what you or your organization actually can do successfully.

While tracking strengths, weaknesses, and lacks is critically important as a foundation for turnaround, growth, and success, you must use extreme care managing who has access to that information. While you can pretty well let anyone add information into an open drop box, read access must be jealously guarded.

Your strength database or wiki is your crown jewel. Your weaknesses/lacks database or wiki is your Achilles heel.

Both of these are resources your competitors would love to know about. Most modern systems have many levels of access control — it's often easier to secure an online wiki or database than a written document in your desk drawer.

Using something like DokuWiki or the PBWiki.com site, almost anyone with a Web connection can build some form of strength-tracking database. The scope of the database often depends on the size of your organization. A small organization might have a few users connected. A much larger organization might have thousands of contributors, all connected through an enterprise-wide Lotus Notes installation. The simple rule is this: Keep track of your strengths. Use whatever works best for you.

Always keep your eyes open to your strengths

Identifying strengths is not a phase in a step-by-step plan. You should always, constantly be seeking your strengths. New strengths always turn up. Keep your eyes open and you'll see yourself and your company in a whole new, much more positive, light.

Your organization has value, abilities, skills, and advantages. So do you. By tracking your strengths, you know they exist and how to find them. When you see all your strengths displayed in a simple list, you can take great pride in your abilities. Often, you'll find there's a lot more to your organization than you might have originally thought.

Once you've made your first list, don't stop. During the course of your normal day, you may notice something you do really well. Write it down. You'll be amazed at how the list will grow, and how many strengths you really have.

Becoming strength-driven

Here's a fundamental rule of nature: No matter how strong you or your company is, no matter how many obstacles you're capable of overcoming, nothing is going to happen unless you make it happen.

So let's start making things happen.

Every enterprise — whether it consists of a guy sitting at home trying to sell insurance over the phone, a large corporation, or even a government agency — has two things in common:

- The need to sell something
- The need for someone to buy it

A home-based salesperson selling insurance needs people who need insurance. IBM sells computer services and software. They need customers who buy. Even our government needs to sell and for people to buy: politicians need votes and campaign contributions, agencies need funding and the semblance of results to keep funding flowing, and even each and every police officer needs citizens who need protection and criminals who need incarceration.

Need.

Need drives enterprise. Need also drives individual success, because each individual of employment age also has two things in common:

- The need to sell something
- The need for someone to buy it

You're selling your time, your skills, your knowledge, and your talents. You need an employer, a customer, or a client who needs what you can do.

If you need profits for your business, you need to find a consistent, repeatable source of revenue. If you need a job, you need to find an employer who needs your skills or a market opportunity so you can go out and freelance or start your own business. Fundamentally, you need people who need you.

Who needs your strengths?

If the very essence of your ability to thrive is finding some people who need what you've got, then you've got to have what some people want.

What do you have that people want? What are your most valuable assets (from their perspective)? The answer is simple: your strengths.

For you or your enterprise to thrive, you must continually do these four things:

- Find people who need your strengths.
- Find ways to turn your strengths into things people need.
- Find people who need your transformed strengths.
- Grow new strengths that give you the ability to meet people's new needs and then find those new people.

I don't care if you run Microsoft, if you're the owner of a pet shop, if you're the head of the FDA, or if you're the President of these glorious United States. If you don't have something people need and if you can't find the people who need it, then, well, who needs it?

If your strength is an unnatural ability to build a better mousetrap, then you need to find people who are desperate to catch mice. You either need a mousetrap that's better than everyone else's (in lots of subjective ways including, but not limited to mouse-catching ability and/or price) and you need to find a better way to reach those overwhelmed individuals who need to terminate some elusive rodents.

From prospects to profit

If you can find a target prospect base that needs what you've got and if you can figure out how to reach them, you will generate sales (or get a job). If you can reach them and provide what you've got to offer in such a way that it costs less than what your prospects are willing to pay, then you've got profit.

In *Midnight Engineering*, William E. Gates (not *that* Bill Gates) presented a wonderful way to look at making all this work. He asked the question:

> *If I want to build 10,000 model airplanes a month, I can't and don't want to put all the wings on — it's tedious, boring, and I have better uses for my time.*

He lists some possible solutions when faced with this problem:

- Conceive a fast and fun way to do 500 wing attachments per business day yourself and take some joy from that productivity gain and the savings you pocket by not paying anybody.
- Hire some workers to assemble the wings to the body of the plane for you.
- Contract out the wing attachments to the body.
- Redesign the subassembly molds so that the wings are integrated with the body of the plane during the molding of the parts.

There are lots of creative ways to solve problems. Gates's goal, though, was not to teach how to make better model airplanes, but rather to show that a similar goal (building airplanes) can have different approaches. He calls the last approach “inherent assembly” and asks the question (paraphrased) “Why can’t everything be designed to have ‘inherent assembly’?”

It’s a good question. If you keep your desire to thrive in mind, you’ll see that looking for different approaches is necessary. Everyone must find the most creative and most effective path to solution. The path you find might not be the most traditional, but that’s probably to your advantage.

Reconciling your mission with your market

Back when I wrote *The Flexible Enterprise,* I was able to identify what I called the “Universal Mission Statement.” At the time, I applied it to enterprises, but over the years I’ve learned it’s just as applicable to individuals (at least from an income-producing perspective). Here it is for the enterprise:

> *We will find needs that we are able to fill and we will find customers with those needs. We will fill those needs and we will do so in such a creative and effective manner as to provide quality service to our customers at a good value to them and a profit to us.*

And here it is for you:

> *I will find needs that I am able to fill and I will find customers or an employer with those needs. I will fill those needs and I will do so in such a creative and effective manner as to provide quality service to my customers or employer at a good value to them along with a good income for me.*

Whether you’re the resourceful author of a shareware software product, a guy who works in retail, a government bureaucrat, or a Fortune 500 chairman, if measure everything you do against the Universal Mission Statement, you’ll thrive.

As we discussed earlier, there are three core elements to the strength-based success formula: providing goods or services, providing goods or services some people want, and providing those goods or services at a cost that they're willing to pay and leaves you with a profit.

Given those core elements, your next question should be "What goods or services should I provide?" The answer, simplistically enough, is this: whatever you're good at.

At first blush, these statements seem to be oversimplifications. They're not. In fact, a mistake in choosing what you offer to customers or employers can kill your company or lose you a hard-earned job.

The conventional wisdom has always been "listen to your customers." On the surface, this wisdom makes sense. If your customers tell you they want, for example, a left-handed smoke-shifter (and they're not pulling your leg), it stands to reason that if you build smoke-shifters containing the left-hand control option, customers will seek you out, cash and credit cards in hand.

Because customers aren't product experts, their requests often aren't fully considered specifications. Numerous implied features are never spoken aloud or written in request letters. Continuing with our example, here's the complete specification as provided by our customers:

- Make it shift smoke
- Make it left-handed

As is often the case, our customers did not provide a complete specification. There are many attributes our customers didn't specify. Here are a few:

- How much smoke, going at what speed?

- Controlled or operated by a left hand? Moving the smoke to the left? Or accepting smoke coming in from the left?
- How large a hand? How strong? What about right-handers?
- Does your company, in fact, have the expertise in-house to understand smoke dynamics?
- What about respiratory safety?
- Does your company have the manufacturing ability to build smoke-shifters or can you find a subcontractor to build them for you?
- How long will it take and how much will it cost to design these things?
- Are there any regulatory requirements or testing requirements before they can be sold?
- How many people need these things? How big is the market?
- What kind of maintenance do smoke-shifters require?
- How much are customers willing to pay?
- And on, and on, and on …

The problem with many companies is that they listen to the customer without listening to themselves. Contrary to what you've always been told, this isn't a customer- or market-driven world.

It's a world driven by customer demand *and* your ability to meet that demand. So if you constantly let your customers lead you around by your nose, you're going to lose.

Doing what you're good at

Think instead of leveraging off your strengths, doing what you know you're good at. If you know you can design highly reliable auto parts but aren't a sales firm, focus on building great parts and find another company that's a great sales firm. Team up. They need great parts as much as you need sales representation.

There are numerous customer-oriented (not customer-driven) benefits to leveraging off your strengths. There's an equal number of gotchas if you don't rely on your strengths, but instead try to play where you're ill prepared:

Where you're strong	Where you lack expertise
You'll know more about the features, functions, competition, needs, weaknesses, and opportunities than your customers possibly can	You could become blind-sided by some unexpected requirement or problem, because you lack experience in an area where you're not strong
Leveraging off strengths-related knowledge provides substantial added benefits to the customer	You might miss important, but unstated requirements of customers and lose the sale once they examine your output and realize it's lacking
You can often produce above-average products and services because you're so good at what you do	You run the risk of producing below-average products and services.
You can often save a lot on production cost because you know what you're doing	Your costs can often be substantially more than that of your competition
You can often pass those cost savings onto your customers and offer lower prices	At best, your price is average. At worst, you have to charge a lot more, for products worth a lot less
You'll often have most of the systems, facilities, and staff in place to produce your products	You may have to invest heavily just to reach parity with those competitors who are already strong in this area
You've most likely climbed over the barriers of entry (whether it be in skills, distribution, capitalization, or other areas)	You've got a huge barrier of entry, sapping your ability to provide great products

Fundamentally, if you provide customers with products and services by leveraging your strengths, they'll often get great products and services. Otherwise, they'll wind up with products and services of questionable value- and you'll be exhausted, unprofitable, and cranky.

This applies to individuals in the job market as well. My friend who's a retail, cash security expert shouldn't apply for a job in an office. It's not his skill. And while I love fast cars and dream of building a hot rod, no employer in his right mind should ever entrust me with a plasma cutter. It just wouldn't be wise. On the other hand, if you need a writer who can explain things, someone who can lead a team, or turn around a company? Then, I'm your guy.

Positioning the strength-driven company

When you make business decisions based on your strengths, rather than being a product-, market-, sales-, or engineering-driven company, your company becomes "strength-driven."

Because various strengths may exist in different parts of your business, it's very hard to present customers a view of "what you do" based on your list of strengths. This becomes most evident if different strengths have a perceived value to widely different groups of customers.

From the point of view of those within your company, you define "what you do" based on your strengths. On the other hand, what you present to the world as "what you do", your positioning, will likely be quite different from the point of view from those outside your company, such as customers.

In some cases, the positioning based on being strength driven is so different from customer group to customer group that the customers of one group wouldn't recognize your company based on the products or services you provide to another group.

In these instances, developing unique *brand identities* may be the way to go.

Use brand identities with groups of business lines where all leverage a common set of capabilities and resources (strengths) but have diverging target prospects. These "companies within a company" are designed so that when the market changes or a strategic opportunity becomes visible, flexible reinvention of the company from the inside out can occur instantly.

Different positioning for different types of customers

You may find that your customer base determines how you position a product or a service. There's an interesting paradox here: an ideally named product or service for one customer base may be wrongly named for another.

Corollary: The more targeted and well defined the branding for one customer class, the more inappropriate for another.

This applies to individuals as well, who have to position themselves for jobs, freelance opportunities, or consulting opportunities. I personally have needed to create different personal identities to keep people from getting confused.

I present myself to my different constituencies in different ways:

- I'm the editor-in-chief and publisher of ZATZ Publishing. To our advertisers, I'm the person they go to when they want results. To our readers, I write about topics that interest them.
- I'm a cyberterrorism advisor. People got really confused about this one, especially TV and radio interviewers. They were baffled why someone who's an editor was also advising governments and professional security organizations about cyberterrorism. The fact is, I'm steeped in the topic in part because of the work we do in our highly technical magazines, in part because of my computer science background, and in part because I've done a lot of specialized work in this area.
- I'm a CNN contributor. To CNN's readers, I write analysis and commentary about current events. I often write about technical topics, but I've written about topics ranging from submarines to banks.
- I'm the director of the U.S. Strategic Perspective Institute, the nonprofit organization that's making this book's electronic edition available for free through its How To Save Jobs Foundation, and helping to solve

some of America's challenging problems through programs initiated out of the book's research.

This book is a case in point for brand confusion. If you think of me as ZATZ's editor, you'd wonder why an editor of technical magazines would be writing about jobs. It makes a little more sense for me as a CNN contributor, but not as much for me as a national security guy — at least until I made the case that the jobs problem *is* a national security problem. But if you think of me as the head of the U.S. Strategic Perspective Institute, it makes a lot more sense that I'm writing about jobs and America's strategic direction.

Radio and TV hosts often find my background confusing. Even though I wrote a business book years ago, it's hard for them to wrap their heads around the idea that the guy who edits *Computing Unplugged Magazine* also wrote *The Flexible Enterprise.* But I'm an interdisciplinary guy who mixes three major areas of study: technology, business, and national security.

It gets even more interesting because I'm both a member of the press and a member of the FBI's InfraGard program. I practice a very careful form of security to make sure that sensitive government information never reaches the public.

I don't hide any of my roles or identities, but I do lead with one or the other, depending on the context. If I'm doing radio interviews about Internet security, I'm often introduced as a cyberterrorism advisor. If I'm going to the IBM Lotusphere tradeshow, then I'm the editor-in-chief of *DominoPower Magazine.* And when I'm talking about saving America's jobs, I'm introduced by hosts as the director of the U.S. Strategic Perspective Institute or the author of *How To Save Jobs.*

You can do this, too, by tailoring different resumes to different skills. If you're both a welder and a carpenter, you'd probably put both at the top of your resume. But if you are both a welder and a chef, you'd want to create one resume that's aimed at highlighting your culinary skills (and might mention a welding certification) and another that lists your skills with a torch (and might mention that you've also gone to cooking school).

When you manage your company based on its strengths, you may find that your products appeal to customer communities that perceive themselves as unique — even though the actual profiles of the customer communities are very similar.

Differentiating by customer class works because:

- You use similar strengths, resources, and facilities across all customer classes.
- The actual profiles of the customer classes are highly similar.
- Even so, the perception of difference by those within the customer classes can be enormous.

If you look around you carefully, you can find many instances of differentiation by customer class. One of the most common customer class differentiators is product price. Two examples (well, really 13), include:

Acura and Honda, Lexus and Toyota, Infiniti and Nissan, Ford and Lincoln and Mercury

These are similar cars, with similar features, that are positioned for customers based on whether they're buying luxury or performance or economy.

Acer, Gateway, Packard-Bell, and eMachines

Gateway, Packard-Bell, and eMachines all used to be separate companies. Now, they're all brands inside of Acer. Each has some level of brand recognition. Gateway, for example, used to be known for its Sioux City, Iowa roots and it's Holstein cow markings on its products. Now, even thought it's owned by Taiwanese Acer, Gateway's logo still has the Holstein markings.

Differences by functional area

If you look around you carefully, you can find many instances of differentiation by functional area. Many companies with apparently vastly different services offer them under substantially different customer names.

Customer perceptions are inherent in successful sales. In the same way that it would be difficult for my mom to accept buying her phone service from a railroad (Sprint started off as part of the Southern Pacific railroad), it's difficult for many customers to accept that they're buying what they perceive as widely different products or services from one company.

This is particularly the case when the disciplines used to provide the products or services seem diametrically opposed to one another, as they are with political news and the setting of stock values.

Most people don't realize that the Dow Jones Industrial Average, used as the baseline measure for much of our economic activity, is owned by the same company that produces Fox News. But it is. The Dow average is actually run by the editors of *The Wall Street Journal* and *The Wall Street Journal* is owned by Rupert Murdoch, who also owns Fox News.

That's right. Glenn Beck and the people who set the criteria for the Dow Jones get their paychecks from the same Australian billionaire: Rupert Murdoch.

Here's another one. Anyone who's ever bowled a set has heard of Brunswick Bowling. But did you know the Brunswick Corporation also owns Mercury Marine, makers of some mighty fine outboard motors?

OK, one more. What do Duracell batteries, Pampers diapers, and Crest toothpaste have in common? They're all part of Proctor & Gamble.

As was the case with customer-base differentiation, there are often substantial cross-overs in functional areas. While the prospect community looking for one service (e.g., Duracell batteries) would often not look for another (e.g., Pampers), there are many aspects in common including exceptional brand management (P&G practically created the discipline of brand management). And while bowling balls and boat motors are certainly different beasts, both require top skills in very accurate machining and manufacturing.

Of course, these are all huge corporations and these sub-companies are major enterprises in their own right.

You can learn from this technique. As large corporations have subsidiaries and divisions, smaller companies can have their own stable of brand identities.

As we leave this chapter, I want you think of your strengths as your armory, which contains your stash of weapons. You might not use each weapon in each battle (in fact, it's good to keep some in reserve). But you want a good stockpile in case you need to go to war.

In the next chapter, that's just what we're going to do. Now that we've loaded up on our strengths, it's time to overcome some obstacles. It's clobbering time!

CHAPTER 17

How to overcome obstacles to your success

Just like everyone has strengths, everyone also has weaknesses. It doesn't matter whether we're talking about individuals, businesses, or governments. We all have strengths and weaknesses.

Being successful means reducing or eliminating weaknesses and maximizing strengths. To accomplish this, you'll need to identify the trouble spots in your business. These are the poor performers, the "come back and haunt you" beasties, the products and services with clear fatal flaws, the products customers are always dissatisfied with, and the things you do and products you offer that are high cost with little return.

Individuals have similar issues that need to be identified and fixed. If you work for someone and you're always getting something wrong, always angering certain customers, or even just always losing your keys, these are trouble spots.

Sometimes if you're lucky, you can just stop doing what doesn't work or stop associating with people who aren't good for you. Often, you'll have to replace a poor performing strategy, behavior, program, product, or service with another that's more effective.

Unfortunately, knowing what will be more effective isn't always possible (unless you have your own crystal ball). It's often necessary to explore multiple approaches until something works. When you find something that works, it becomes a strength and is another item in your success toolkit.

Obviously though, your weaknesses aren't your only obstacles to success. Weaknesses are lacks within your organization or yourself, and may either be intrinsic or a matter of your current circumstances. Your challenges may come from external sources as well: loss of a job, aggressive attacks from competitors, changes in market dynamics, new regulations, and so forth.

Weaknesses, problems, lacks, competition — these are all obstacles standing in the way of your goals. In this chapter, we'll explore how to handle your obstacles: eliminate them, transform them to more benign forms, turn them into new opportunities, shelve them for a better time, or confront them when all else fails.

Real obstacles are a creature of the "now"

What's an obstacle? I have a really simple but effective way to think about obstacles. You're here. You want to get there. Anything that stands in the way of getting from here to there is an obstacle.

This getting from here to there, of course, pre-supposes you know where "there" is. It also assumes the "there" you want to go to is a practical "there" to be going to.

Pretty vague, huh? Not really. You're always going from "here" to "there."

Everyone (this includes businesses and countries as well as individuals) is at a certain point in their lifecycle, and in a certain condition (healthy, growing, weak, dying — and all the millions of degrees of variation in between).

Everyone is also trying to get somewhere. In the most general terms that somewhere, that "there," is a better life, a better income, a better home, more profits, more growth, more sales, more success.

These are very common desires. They're admirable. They're just useless from a day-to-day tactical perspective. Of course, you want to be more successful. How do you get there from here?

Before we look at how to overcome obstacles, let's take a moment to understand how obstacles relate to time, to *now*.

Take one company I know, a small, well-run casual restaurant with revenues of about $750,000 per year. After four years of operation, they have a happy, steady customer base and good products (great food, good service, good value). By all accounts, it's a successful store. But the founder's business plan calls for hundreds of these restaurants all over the country. His "there," his goal, is to open lots of stores.

What are the obstacles he faces — today — to his "there" goal of opening a restaurant in every community? Think about the question carefully. The short answer is "none."

I can hear you screaming in disagreement:

- "What about raising start-up money?"
- "What about finding the right locations?"
- "What about deciding between ownership and franchise?"
- "Whatabout … whatabout … whatabout?"

The real answer is this: there are absolutely no obstacles he faces *today* between his small, successful, single restaurant and a chain of hundreds across the country.

Why? Because there's nothing he's able to do *today*, from a practical, hands-on point of view, that will get him to his hundreds of restaurants.

The goal is too large for tactical consideration. Too much focus on the long-term goal will defocus him from what he actually should be doing today.

A good analogy is a road trip from New York to California. Sure, it's important to know you're going west, otherwise you might wind up in Florida. But on an hour-to-hour basis, it's far more important to keep an eye on your road speed, make sure you don't bang into other cars, take the correct exits, and so forth.

If you're on Route 80 in New Jersey passing Denville, the road construction at the intersection of Route 80 and I-25 in Cheyenne, Wyoming isn't an obstacle. But the 18-wheeler trying to insert itself into your lane where your car is right now, now *that's* an obstacle. Of course, when you finally get to Cheyenne, if the construction is still underway, it'll then be an obstacle you'll need to deal with.

Let's get back to the story of my restaurant friend. To keep himself on track on a day-to-day basis, he's working on setting smaller, more practical goals. That's because the goal of a restaurant in every community isn't actionable. And as such, there are no immediate (or even near-term) obstacles related to a restaurant in every community — because his real "there" isn't a restaurant in every community. At least for a few years.

For this restaurant, a valid "there" would be opening a second store. This is a practical, near-term goal and has valid, immediate-term obstacles. Some of them are:

- Making the decision whether the time is right to open a second restaurant;
- Determining the location strategy of the nascent chain;
- Raising the money and/or deciding to take profits out of store number one;

- Figuring out how to split management time between keeping the first restaurant running at peak performance and starting a second store.

Too many organizations (and people) waste far too much time dealing with obstacles that won't be real for years — if ever. Deal with near-term obstacles. After all, a lot will change by the time you get to the point where you thought those far-away obstacles might be.

This doesn't mean don't operate with an eye toward the future! Not at all. But obstacles and weaknesses are creatures of the here and now. Worrying about far-future obstacles is like worrying about the monster that lives under your bed. Both will keep you up at night but neither will be there in the morning.

Is it in your way?

A real, actionable obstacle is something in your way. A real obstacle is not something you worry might be in your way years from now — and certainly not something that caused you distress sometime in the past. An obstacle is something in your way *right now.*

Obstacles can take any of the following forms:

- Weakness
- Lack
- Problem
- Objection
- Barrier

Their common factor is that they're in your way. Your job will be to get the obstacle out of your way, or — often better — to get out of the way of the obstacle.

Obstacle or excuse?

This is a tough question. We often use our obstacles as excuses. "I can't do this because of that." Lots of excuses wind up described as obstacles. They often hold you back. These are some of my favorites.

"That's against our policy."

The obstacle is really an excuse for telling the customer that you're inflexible and unwilling to meet his or her needs. You also might be telling the customer that you don't have the authority, or that you're unsure what to do.

"We're freezing hiring because the quarterly results are down."

This obstacle is an excuse for poor hiring review practices. In virtually every company with a hiring freeze, some "strategic" hires take place during the freeze. Why? Because they're clearly important. The hiring freeze is a convenient excuse when you don't have the procedures in place to separate a good hire from a bad.

"It costs too much to sell at a competitive price."

Apple suffered from this "obstacle" for years. They tried to protect their margins and lost enormous market share. Apple has since redesigned their Macs for lower manufacturing cost — the workaround for this excuse. Now Apple products are insanely successful, even if many still consider their computers to be substantially overpriced.

"We've been doing it that way for years."

So what? So you've been doing it the same way for years. That's no excuse — or at least now you've been caught with your excuse red-handed!

"Advertising costs too much."

So, an ad in one publication or Web site is too expensive. What about more targeted sites? What about different marketing vehicles? What about advertising through different mediums, like ads in iPhone apps? There are lots of ways to make products profitable if you stop turning excuses into obstacles.

Individuals also describe disguise excuses as obstacles.

"Nobody's hiring."

No one? No one in the entire world? Anywhere?

"I'd love to work out, but the gym's closed when I leave work."

So? Buy a set of dumbbells. You can get a couple of good ones for $20 and do a lot of exercises from home.

About five years ago, I invested in a full home gym and a treadmill. I now have absolutely no excuse not to work out. You know what? It's great to be able to stop writing for a half hour or so, go lift, and then go back to work. Sometimes, I'll even just stop for five minutes, do a couple of sets, lift about a ton (over lots of little lifts), and feel completely refreshed.

You don't need to have a dedicated home gym like I do in order to overcome this excuse. Just a few, inexpensive weights can get you started and it's amazing how good you'll feel.

"I can't fix up my house. There's just too much work."

Here's a hint. Do 15 minutes at a time. You'd be amazed what you can do in 15 minutes. Too much is not an obstacle.

"I can't throw that out. I might need it some day."

For some elder Americans who grew up in the Great Depression, it's hard to throw things out. But many Americans *are* pack rats. We like to buy stuff and then we like to keep it. Our justification is often potential need, but the reality is it often just hurts emotionally to throw things out. I know people who could cut their living expenses in half if they just threw out the crap they never use.

* * *

Daily life presents us with plenty of real obstacles. Don't manufacture your own. If you do, you can become your own worst enemy.

Here's an interesting exercise. Make a list of the things you think are obstacles to success. It's OK if it's a long list. How many of them are disguised excuses? Be honest! Cross off all the disguised excuses from your list. Notice how much smaller your list of *real* obstacles has gotten.

Strength makes it hard to be a victim

My friend Fred Marshall is president of Quantum Learning. Fred conducts sales training and customer satisfaction seminars. He's always in front of salespeople, helping them to maximize their selling power while partnering with customers. Fred told me once that some salespeople are more comfortable embracing their weaknesses and obstacles than their strengths.

This is deep stuff. It's also really counter-intuitive. You'd think it would be much easier to celebrate your strengths than your weaknesses. After all, strengths are generally good news, while weaknesses are pretty much bad news.

That isn't necessarily so. To many people, weaknesses can be comforting. They're safety nets. Strengths are obligating because if you're able to do something, you're are expected to take advantage of your assets.

The following table shows how strength obligates you to be challenged, whereas weakness gives you the excuse to be safe.

Strength or weakness	Psychological effect	Impact on success
Strength	Empowering (these are all the things you can do)	Motivates you forward
Strength	Obligating (these are all the things you should be doing)	Pressures you to move forward
Weakness	Depressing (these are all the things you can't do)	Holds you back
Weakness	Comforting (you don't have to do these things because you can't)	Justifies the status quo

Here's a scary thought: Are you cherishing your weaknesses because they're comforting? Are you justifying the status quo to the detriment of your own future?

Here's another thought exercise. Which is more important: long-term survivability or short-term comfort? Which is more important: comfort or success?

There is nothing wrong with playing to your weaknesses (using them as a safety net) if:

- Your survivability is not in question
- You can live with a less-than-stellar business
- You can live with a ho-hum life

You won't get the most out of life or your business, but there's nothing morally wrong with taking the easy way out. On the other hand, if you're reading this book, it probably means you want more from life, your business, and your country. Good for you!

If survivability *is* an issue, or if you are absolutely dedicated to having a successful life, or if building a successful, profitable, growing, responsible, and valuable enterprise is important to you, make sure you aren't allowing yourself, your company, or your country the excuse of being a victim. If you are determined to succeed:

- Cherish your strengths
- Grab on to the obligations of your abilities
- Push forward

A special note to the politicians reading this book

Politicians are experts at playing the victim card to get out of some hard policy work. How often have we seen Democrats and Republicans whine not being able to get anything done because the other party won't let them?

When an individual plays to his or her weaknesses, the only person hurt is that person (and possibly his or her family). But when a political party plays to its weaknesses because real governance is hard, *that* hurts everyone.

So, you Democrats and Republicans, cut it out! Be strong. Use your strengths. Do what's really right for America. Not only is it the right thing to do, it's why we elected you — and doing what's right will probably also earn you a place in the history books. So, grow a spine and put America first!

Situational awareness

A successful fighter pilot has exceptional situational awareness. When flying a jet above Mach 1 and engaging enemies traveling at the same speed, the pilot must be constantly aware of all that is around him.

A fighter pilot must deal with a steady stream of information: the speed of his craft, operational orders, the state of hundreds of variables on the plane itself, the locations of his wingmen and those in his strike force, atmospheric conditions, potential threats from triple-A (anti-aircraft artillery), airborne threats, distance to the next check-point, rules of engagement, and lots more.

At any given time, a pilot's primary attention must be on one or two highly focused aspects of his mission. But at all times, he must maintain a constantly updated general awareness of everything in his theater of operation.

It's this ability to maintain situational awareness that ultimately will determine whether the pilot, his weapon's systems officer ("wizzo"), and his squadron will live or die.

When threatened (like when a missile has heat-signature lock and is about to fly up his tailpipe), the pilot must be able to take instantaneous action. There isn't time for him to scan the skies, check all his instruments, look out the window, check in with an orbiting E-3 Sentry AWACS radar plane, or any of the thousand other things he might do if he had more than three seconds (literally) to take action.

He must be constantly aware of his surroundings and his situation, so that when attacked, he can drop a chaff flare and perform a braking maneuver or make a hard turn — and not bump into another plane or run into a stream of cannon-fire.

Like combat pilots, business owners (and employees) must maintain constant situational awareness to assure the survival of their organization.

What must you keep track of? That will differ from company to company. Here are some of the things I recommend you always keep an eye on:

- Employee count, problem employees, and employees you can trust in an emergency;
- Approximate cash balances in each of your bank accounts;
- Current clients, key customers and projects, and potential problems pertaining to each;
- Next items due for each project, their due dates, and your fall-back strategy if a due date is missed;
- Relative priorities for each project so you know which projects you can stall and which you can't;
- Any supplier who might be slow in shipping critical supplies and backup plans for getting materials when needed
- Threats from potential creditors and which companies you're late paying. This applies to individuals as well. If you're about to lose your electricity in the middle of winter, that's the bill you want to pay first;
- Problems with any receivables due you and the backup plans for making sure you get paid;
- Status of sales efforts with critical prospects and a good idea whom you should call on if you run into snags. This also applies to individuals, especially in your job hunt. Which possible employers deserve the most attention? Who can you call and ask for help, for references, for leads?
- Backup plans for a whole host of potential emergencies.

On a daily basis, you shouldn't spend much time with any of these, but you should always be aware of what's happening. In this way, if urgent, immediate action becomes unavoidable, you have enough situational awareness to be able to make the best possible decisions under the worst circumstances.

This applies to you if you're an employee as well. It's often good to have a strong sense of how your company's doing. Perhaps you can see danger and avert it, potentially keeping your own job and helping others keep theirs. Or perhaps you see the writing on the wall and know it's time to start shopping yourself, so you'll have someplace to land when things go from bad to worse.

Situational awareness applies to us as individuals. Do you have some sort of illness that if managed now won't get worse, but if you let it linger, it could be disastrous? Does that guy you've just met give you the heebie-jeebies, but you can't put your finger on it? Is there a leaky pipe and you're heading into winter? Maybe you should fix it now, so it doesn't crack and cost thousands to fix later.

While you should try to avoid unplanned change, by being aware of key elements of your world, you'll be able to manage your reaction in a clear, controlled, and effective manner.

Avoid knee-jerk reactions when possible, but be properly prepared and situationally aware when necessary. This will help you reduce the probability of being forced into sudden, unplanned change.

If you're going to make a change, it's a lot nicer being able to do it on your own terms, rather than as a result of something life just throws at you.

Blockade or projectile obstacle?

Most obstacles are of the benign, block-your-path form — like a river that blocks your path to the other side.

Blocking obstacles give you the time to think through and explore various options: Do I build a bridge? Do I swim across? Or do I take a flying leap over it? Do I go down river and hope there's already a bridge? These obstacles are not particularly time-sensitive. Their primary impact is to block your path, which prevents you from reaching your goal.

A barrier-of-entry to an industry is a blockade obstacle. If you choose not to pass over, through, or around it, you won't incur any direct damage. The early-adopter-to-mainstream gap described by Geoff Moore in *Crossing the Chasm* is a blockade obstacle.

Not all obstacles are the warm, friendly, wag-their-tails, puppy dog-type of obstacles. No way. Some are the dive-from-the-sky, heat-seeker-locked-on, fly-up-your-tailpipe projectile-type obstacles.

Projectile obstacles (also called attacks or threats) require immediate prioritization and immediate action. For you SWOT fans, these are the T's in SWOT (the Threats).

Projectile obstacles are extremely time-sensitive. Their primary intended effect is to damage you or your business in some way.

A competitor dumping deliberately underpriced product into your market is a projectile obstacle. Like a blockade obstacle, if you choose to ignore it, it will usually not go away. Unlike a blockade obstacle, if you choose to ignore it, you will probably lose market share and customers and thereby be damaged.

Most often, blockade obstacles are creatures of your own creation or are something you come upon in the course of trying to reach your goals. In other words, they're not launched as an intent to attack you. On the other hand, projectile obstacles come at you as the result of the tactical or strategic decision of a thinking entity.

Projectile obstacles aren't always aimed specifically at you (it's not personal, in other words), but can be active threats that are currently causing or are about to cause you immediate harm. If you're a trucker and the price of fuel doubles, that's a projectile that, while not aimed at you personally, sure feels that way — and it needs to be dealt with right away or it'll cause your business harm.

Projectile obstacles may also be people. They run the gamut from the drunk driver in your lane to the co-worker who wants your job and is willing to do anything to get it, including getting you demoted or fired.

When dealing with projectile obstacles, you don't really have the time for the planning and analysis functions that we've been describing. Defense against attack requires immediate response and is reactive.

Your situational awareness will be your primary (and first used) weapon when defending against an attack. If you're clearly aware of your environment, you'll know — figuratively or literally — when to duck or when to jump aside.

You can game threats, as well. Political campaigns do this particularly well, and even have a name for it: *oppo,* which stands for opposition research. When doing oppo, a campaign not only looks for vulnerabilities in their opposing candidates, they also look at their own vulnerabilities, to try to find out what their opposition might try to use against them.

You can do this for your business and for yourself. In the same way you set out to catalog your strengths, make a list of your vulnerabilities, particularly those that could cause you sudden and damaging harm. Then plan for how you'd deal with these threats when they hit you.

Prioritizing obstacles

When facing obstacles, you may find yourself facing a bunch at once. One important skill to develop is the ability to rapidly prioritize the threats and deal with the most important (or the potentially most damaging) first.

Prioritization is the essence of medical triage, because there's often a limited amount of help, a lot of people hurt, and a short time before some will die. Emergency response personnel use a technique known as S.T.A.R.T., which stands for Simple Triage and Rapid Treatment.

Response teams separate victims into four categories:

- People who have died, and are therefore beyond help
- People who can be helped by immediately transporting them off the scene of the emergency
- People who are hurt, but can withstand a delay being transported to a hospital or treatment facility
- People who aren't hurt too badly, and can wait for help

If you're facing a swarm of threats, you will also need to prioritize rapidly. Here are some things to consider:

- Are any threats actually life-threatening?
- Which threats, if allowed to cause damage, will cause the most damage and which will cause the least?
- Will any threats, in left undefended, trigger new and possibly more damaging "cascading" threats?

Like medical triage, you can separate obstacles into four categories:

- Those that are projectiles and need attention immediately

- Those you confront head-on (don't take on too many of these at once)
- Those you avoid by finding an alternate path or approach
- Those you accept (more on this later)

Some threats and obstacles *seem* real, but they're really illusions or the result of an emotional feeling, rather than reality. That's why it's important to know how to qualify obstacles.

Qualifying obstacles

When determining your strengths, you must be on a constant quest. You must constantly seek out every possible strength you have. When it comes to obstacles and weaknesses, you're not hunting. Instead, you're gathering. You're going to need to train yourself and your team in the fine arts of identification and qualification.

Guideline 1: We can't do that because...

Any time you can't travel down your path because of something in the way, that something is the obstacle. You can tell when you've found an obstacle when you hear yourself or anyone in your organization say, "We can't do that because…"

Guideline 2: Would you care in a crisis?

Recall our discussion of immediate-term obstacles and those so far down the road that you might never have to deal with them. There's an easy way to tell if an obstacle is a valid, *now* obstacle. Imagine your business or your life is in a crisis. Would the obstacle be something you must take into account or would it suddenly become irrelevant? This is helpful in the prioritization process.

Guideline 3: Will you be damaged if you do nothing?

This is an immediate clue to a projectile obstacle. If you see the obstacle and decide to not to take action, will there be an immediately negative effect? If not, it's not a projectile obstacle. Breathe easy.

Guideline 4: Will you grow and succeed if you do nothing?

You've encountered something that might be a valid obstacle. You ignore it. Will you still grow and succeed? Or does the obstacle sufficiently block you that your business or life will stagnate if the obstacle is not overcome?

Guideline 5: Is the gain from overcoming the obstacle worth the effort?

Sometimes the cure is worse than the disease. How much will it cost you to overcome the obstacle? Will you be burning bridges you need? President Obama's health care debate is a perfect example.

If he succeeds in radically overhauling the health care system for the better, it'll be worth all the political capital he's spent and all the stress he's put the nation through. If he folds his hand and gives into the special interests just so it looks like he got some sort of health reform passed, it'll likely cost all of us more in the long term, not solve the problem, and just make things worse.

Guideline 6: Map your obstacle course

As you identify and qualify your obstacles, you should start making decisions about them.

At any given time, your life and your business will have its personal collection of weaknesses, lacks, problems, and troubles. Constantly prioritize, categorize, and qualify them, making sure you deal with the attacks first. Then determine whether, at this point in time, you're going to confront, accept, or avoid.

I've used this mapping function in my own business for years. Whenever I feel overwhelmed with obstacles, I first list them the old-school way, on an actual piece of paper. Then I determine whether I want to confront them, accept them, or avoid them by changing my path. When I'm done, I've often taken a list of 40 or 50 totally debilitating obstacles and reduced it down to three or four I need to deal with over the next 30 days. What looked like a totally unmanageable disaster became easily controllable.

By the way, the approaches outlined in this chapter also apply if you're an employee of a company, instead of a member of senior management. Remember, as an employee, your mission is to help your company succeed.

If your company doesn't succeed you'll be out of a job, so company success is a good thing. If you can identify obstacles you can help your employers take action on, confront, accept, and avoid, you're doing a good thing for your company — and for your job security.

One word of caution: before you help your company deal with its obstacles, take the political climate of where you work into account. If you have management that can't take input, or where you might "harsh their buzz," you might want to think twice about sticking your neck out, especially if you can't afford to lose your job.

Your toolkit for wrangling obstacles

This chapter contains a toolkit for wrangling obstacles. Like the cowboys of old, use whatever technique works best at the time for dealing with obstacles of different personalities. Some guide easily. Some require direct confrontation. And every so often, one or two decide to branch off in a totally unexpected direction. Hey, life wouldn't be so much fun if there wasn't any challenge!

And now for the techniques.

Technique 1: Discard

Often you'll strengthen your business by simply dumping the losing parts. Sometimes, the elements of your business that aren't the top performers are also the biggest obstacles. They take time, they take energy, they take cash.

There are tangible benefits to cutting your losses and dumping problems:

Your focus is improved
By freeing up all the time and effort required to manage the problem, you're now able to focus on more important issues.

You'll save money
While revenue may decline over the short term, you're no longer risking real dollars on poor performers.

You might be able to raise more money
Some properties that are poor performers for you may have value for others. Selling them off can raise money.

You'll save time
Problems are time-sinks. They just suck away hours with no tangible return. Problems often take far more time than they're worth.

You'll definitely reduce stress
Not only do you save time, but your general level of annoyance goes down. Don't get macho and say "Stress is good." It's not. Anything you can do to productively increase the quality of work life for everyone — including yourself — will help your business.

This isn't just another excuse for downsizing. Make sure you're dumping real problems and not something of value. Think before you dump.

Discarding your problems (whenever possible) is the most valuable weapon in your obstacle wrangling arsenal. I use it as often as I can. You should as well.

The discard technique, works for your personal life as well. Streamline your life and you'll feel a lot better about yourself and you'll be far more effective on a day-to-day basis.

Technique 2: Avoid

Another effective way of eliminating obstacles is simply avoiding them. Get out of their way, do an end run, dig underneath, jump over, walk around — all of these result in your never coming into conflict with the obstacle, so you'll never waste time, effort, and money dealing with it.

Nichemanship is the practice of competing in a market niche, rather than head-on against your competitors. Take, for example, the case of Starbucks vs. Peets coffee. Starbucks a nearly $10 billion retailer of coffee with more than 10,000 stores worldwide.

Peets Coffee & Tea, on the other hand, had one store when I first encountered the company in Berkeley, California. It now has about 200 stores and revenues of about $250 million, one fortieth the size of Starbucks.

Much of Peets business comes from the Internet, and from the very specialized coffees it offers its customers online. Here's an example of how Peets competes against Starbucks, and crafts a marketing message that I, personally, find completely and totally irresistible:

> *It is in traveling to countries, visiting small farms and meeting suppliers that we find unusual lots and are able to discover new qualities.*
>
> *On this trip, Shirin found these incredible, tiny lots ("micro-lots") of coffee from three individual village regions. Each lot showcases some of the characteristics that we so love in this naturally processed Arabian coffee: winy, pungent, wild. Yet each is distinctive, vibrant, and worthy of roasting alone. We have an extremely limited supply of each special village lot, every one available for the first time as a stand-alone in the US.*

Meqa'ab Village Lot: Complex and layered, with deep notes of currants, brandy and spice and dried plum in the aroma and the cup.

Hufash Village Lot: Bright and fragrant with raisin and dark wine flavors.

Anes Village Lot: Incense, wood and rich Arabian character. Superb as a single-origin espresso.

The coffee from Hufash Village was *so* the *best*. Peets has developed a niche strategy, not putting a coffee shop on every corner like Starbucks, but offering unique, premium coffees to the discerning buyer.

Ok, take a deep breath and let's go from the far corners of planet Earth to someplace completely out of this world.

Followers of the United Federation of Planets (Star Trek, for those of you living a geek-free existence) will be familiar with a particularly famous use of obstacle avoidance.

Jim Kirk, once and future captain of the Starship Enterprise passed the impossible test. In the mythical Starfleet Academy, every cadet was subjected to *Kobiyashi Maru,* the test with no solution. Rather than teaching cadets to win, its intent was to teach them that some challenges just couldn't be won. Except James Tiberius Kirk, contrarian that he was, managed to win.

How did Cadet Kirk win the unwinnable? He cheated. He reprogrammed the computer administering the test and changed the rules.

Changing the rules is a perfectly valid form of obstacle avoidance. So, for that matter, is cheating (within appropriate legal and ethical bounds, of course).

Technique 3: Ignore (Problem? What Problem?)

Ignoring obstacles is not my favorite solution. Yet for many people, just blowing off the problem can help. If you're going to use the ignore technique, make sure you follow these guidelines:

- If you're not overflowing with obstacles, don't use the ignore technique. You'll have enough time to dispatch the problem, which is better than forgetting it's there.
- If you are overflowing with obstacles, ignoring the least troublesome will work for a limited time.
- Always think carefully before zoning out on an obstacle. Make sure it doesn't have the potential to become a threat. Threats that are surprises are particularly nasty.
- Ignored obstacles have an unpleasant propensity to return as projectile obstacles.

Some people use the ignore technique as their primary means of obstacle avoidance. This "I know nothing!" method of management can lead to lots of disasters.

Over the years, I've ignored my share of obstacles and most have come back to haunt me. In fact, I now do everything possible to make sure I ignore as few obstacles as possible. There were some tough times, though, when I had so many obstacles (most of them super-fast projectiles on afterburner!) that I simply couldn't handle them all. Some got ignored out of necessity, freeing me up to deal with the more immediate threats.

When most of the ignored obstacles finally exploded, I was less occupied with other threats and was able to dispatch them one-by-one. Not fun. But it did work.

Technique 4: Shelve

Shelving is the much more healthy variant of the ignore method. Both recognize that you can't handle every obstacle at once; in fact, attempting to handle everything at once is often foolhardy!

The difference between shelving an obstacle and ignoring it is the threat factor. An ignored obstacle will almost always explode. A shelved obstacle should never be a time bomb in hiding.

You'll almost always need to use your situational awareness and survival skills to deal with an ignored obstacle turned time bomb. You'll generally have the luxury of deciding when to deal with a shelved obstacle.

When you ignore an obstacle, you take no proactive action. When you shelve an obstacle, you take some specific steps that become the shelving process:

- Determine whether the obstacle is a threat, can become a threat, or has any chance (no matter how remote) of becoming a threat at any time. If so, don't shelve it. Handle it in some other way.
- Understand what roads can't be traveled while the obstacle is active. Think through all your other plans and tactics to make sure you're not going to need to travel this road anytime soon.
- Understand clearly what conditions would need to exist for you to take the obstacle off the shelf.
- If you are ever lucky enough to have the spare resources available, consider taking the obstacle off the shelf and dispatching it — even if it's not an immediate issue.
- Regularly check the obstacle to determine whether it's still an obstacle or has become a moot issue, and whether there's any near-term possibility for it to become a threat.

Shelved obstacles are not to be ignored. They ought to be regularly inspected and cared for. However, that regular examination will often take far fewer resources than handling the obstacle in another way.

Technique 5: Transform (turning obstacles into opportunities)

It's not always helpful to think of obstacles as creatures you fight, confront, or do battle with. Instead, think of your collection of obstacles as being like cattle who need to be herded in a particular direction.

This analogy is important. Forget about your business problems and think about all those cowboy movies. There were three or four guys on horseback and they usually had some dogs running around, working together to get the cattle going in the right direction.

While the untamed animals didn't present a direct threat, they were certainly recalcitrant. The cowboys, with the help of their barking dogs, cajoled and pushed the cattle from all sides until they managed to get the herd going in the right direction.

This metaphor also helps illustrate an interesting aspect of obstacles. Sometimes, their very existence can be an opportunity. Those cowboys wouldn't have the "job" of being cowboys if the cows didn't need herding. In fact, the existence of an obstacle is often the indicator of an opportunity.

I can give you a personal example of how an obstacle can indicate opportunity. *DominoPower* reaches thousands of IBM computer professionals each week. I like to say I have the largest peer review body on the planet, and when I write an article, if there's even the smallest technical error, someone's going to find it — and not hesitate to let me know.

I could think of these complainers as obstacles, but over the years I've learned that these readers are actually self-selecting themselves as experts on the topic they're complaining about. After all, they know more about it than I do. By the very fact that they often write detailed letters documenting how and where I went wrong, they're also showing me they can write.

As an editor, I'm always in need of great articles and writers. When someone pops up to complain and shows me that he is both a technical expert and capable of writing, I know I have a potential new author on my hands. I can't tell you how many complainers (the obstacle) have been converted into authors for the magazine (the opportunity), but it's a lot. Some of them have become my favorite and most trusted contributors.

Apple can provides another example of turning obstacles into opportunities. Although Apple is fundamentally a hardware company, it's their software and design sense that really drives the appeal of the company's products.

Few people realize that back when the company first introduced the iPod, it was quite a gamble. On one side were all the record companies, determined to keep digital music off the Internet. On the other side were consumers, happily downloading pirated music for free.

The iPod was not the first digital music player. Most pre-iPod digital music players were enablers of pirated music, in that the only way you got music for your digital music players was to either rip it off a CD or download it illegally from file swapping sites like the original Napster.

Apple saw this divide as an opportunity. They set up an online music store where you could download each song for $0.99, a consistent, predictable price. Apple used its clout to bring most music companies and bands on board (except, still, The Beatles).

Today, the iTunes Store is the top music retailer in the United States. Apple turned an obstacle (getting music on its device) into an opportunity (to go into an entirely new business and own it completely).

And then they did it again with the iPhone, transforming the cellular telephone network into what became, essentially, an extension of iTunes.

Technique 6: Divide (and conquer)

The divide technique suggests you take any given obstacle and break it into two parts — one easy to knock off and one harder. Knock off the easy part. Pick the low-hanging fruit.

Even though the rest of the obstacle will still exist, it will be smaller than the original obstacle, easier to identify and manage, and much more at the core or root of the problem.

You can use the divide technique with particular effectiveness during contract negotiations. Taken as a whole, the process of negotiating a contract can seem overwhelming. But if you actually itemize most of the contract issues, you'll soon realize that a good 85 percent are things that become fair and easy to agree on.

Take a typical software publishing agreement. These are some of the terms that are almost always easy for all the parties to agree on:

- **Acts of nature:** If something nasty happens, the contract's put on hold until a suitable recovery time.
- **Maintenance:** If the program breaks, the programmer will fix it (although the time to fix is almost always disputed).
- **The product being licensed:** Although the feature set is sometimes in dispute and versions for alternate platforms like Windows or Mac are almost always disputed.

- **Definitions:** Meanings of words like "program," "source code," "user."
- **Payment:** There's almost always no dispute about when the payments are made. Sometimes one party will want to pay in 90 days and the other wants to be paid in 30, but this is almost always an easy compromise. What's hard to get agreement on is the amount of payment.
- **Auditing rights:** When and where accounting records can be checked by an impartial outsider.
- **Termination:** Nearly everyone can agree that the contract can be terminated if one of the parties doesn't perform as agreed.
- **Term:** It's pretty easy for everyone to decide whether you're doing it for one year, three years, or automatic renewal.
- **Marketing freedom:** Software authors are often seeking marketing help. So they rarely put up a fuss when publishers say they need to have freedom to design ads and packaging.
- **Confidentiality:** Who's going to argue about blabbing to outsiders?
- **Warranties:** The author has to guarantee that what the publisher is buying is the author's to sell. Not an issue of dispute.
- **General lawyerly boilerplate:** Stuff like the rest of the contract stays valid if one clause isn't, that the contract can't be assigned, and arbitration rules.

I went through some of my old software publishing contracts. Most were about 20 pages. I paged through one of them as I wrote the preceding list. The dozen items listed here account for almost 17 of the 20 pages in the contract. Usually, most negotiations can barrel through these 12 items (85%) in less than an hour.

By dividing the easy from the hard, you're left with the important 15% that will require serious negotiation.

Another important benefit is that by dividing the negotiation into the easy and hard, you're no longer disagreeing on everything. Instead, both parties have discovered that the other is pretty easy to get along with. After all, you agree on 85% of the deal straight off. At this point, the parties are also invested in the process and its outcome.

Technique 7: Chip away

A similar technique you can use every day is the secret weapon I call "chipping away." It works thusly: Take a big problem. Find a tiny part you can chop off and solve. Chop it off. Big problem just got a wee bit smaller. Repeat. Eventually, the big problem becomes manageable.

This tactic works well with:

- **Creditors:** Paying a bit at a time will eventually reduce your liability.
- **Book writing:** Writing a chapter at a time, regularly, will eventually get the book written.
- **Business reinvention:** Find one problem and solve it. Then solve another. Don't try to solve the whole thing.

Here's an example out of the world of customer service. While you shouldn't ignore the fundamentals of your product, you can still improve your customer service — one chip at a time.

Back when I ran a software company, before the Web really existed in any useful form, it used to take us about two weeks to ship an order. We would get the order, sit on it for a while, then enter it into the computer. Then we'd build the product. Then, eventually, we'd ship it to the customer.

Too bad for the customer who needed software the next day! How could we possibly ship the product if it wasn't in the computer, wasn't built, a label wasn't printed, and the customer wasn't charged?

We were losing business in a big way. Not only would customers buy from our competitors, they would go to our distribution channels. So a sale that we might have gotten at full value, we would (at best) lose to a reseller at 50% to 60% off and payment 30 to 60 days out.

Enough was enough! Finally, I said I didn't care. Just ship the products. The results were shocking.

The next time we got a rush order, Denise — at the time my Director of Operations — came into my office. She wanted to "borrow" my manual. What I only discovered later was that she'd taken the following actions:

- Told the customer we were out of finished stock.
- Asked the customer if he'd mind terribly if we sent him a copy that wasn't shrink-wrapped.
- Stolen (outright swiped!) the manual off my desk.
- Found a spare disk and duplicated it (these were in the days before the Internet made downloadable software the norm).
- Found a blank label, fed it into a typewriter, and hand-typed a label.
- Asked the customer for his Federal Express ID so she wouldn't have to call in a pickup and wait.
- Packed the whole thing into a reused padded envelope and drove it to the drop box.
- A day or so later, checked and charged his credit card (she correctly decided that a bad credit card was not nearly as bad as a frustrated customer).

Denise didn't solve the entire order entry problem in one shot. She chipped away at the problem by simply solving one problem and getting one product to one customer at a time. Granted, all the extra effort made it a lot more expensive to ship to this guy, but he later went on to order more stuff and our reputation got better instead of worse.

Eventually, we subjected each stage of our order processing and production process to chipping and by the time we sold off that part of the business, we were down to about two days from order in to product out (including the time it took to manufacture the product from scratch). We also maintained a (very small) finished goods inventory so we can handle emergency orders.

Here's a good place were you can see how the Internet was a game-changer. Shortly before we sold off that business, we put our products online, and instead of it taking days to get an order, they were available 24/7 on the Web. A credit card got the software to the customer instantly.

You can apply the chip away technique to almost anything. In fact, Marla Cilley (better known as the FlyLady) has become an Internet sensation with her home management techniques, based on working on areas of your home for 15 minutes at a time and, essentially, chipping away at housekeeping and home upkeep responsibilities. You can find more out Marla and her FlyLady system at FlyLady.net.

Technique 8: Confront

Sometimes you'll come face to face with an obstacle and you'll try everything. You'll discover you can't discard it. You'll try to apply nichemanship, changing the rules, and even cheating — all to no avail.

Ignoring it wouldn't be safe. Shelving it isn't feasible because it might explode. There's no apparent opportunity the obstacle can be transformed into. And it doesn't respond to the divide and conquer or chipping away techniques.

Face it. You're just going to have to deal with it — somehow.

The first thing you should do is get creative and see if you can invent a new technique that fits the situation. If you do, use it. If it works, send me a note and tell me all about it.

If all else fails, you'll need to prepare for war. Sun Tzu, the ancient Chinese general, described offensive strategy this way:

> *. . . It is of supreme importance in war to attack the enemy's strategy. "He who excels at resolving difficulties does so before they arise. He who excels in conquering his enemies triumphs before threats materialize";*
>
> *Next best is to disrupt his alliances. "Look into the matter of his alliances and cause them to be severed and dissolved";*
>
> *The next best is to attack his army. "If you cannot nip his plans in the bud, or disrupt his alliances when they are about to be consummated, sharpen your weapons to gain the victory";*
>
> *The worst policy is to attack cities. Attack cities only when there is no alternative.*

We've seen the "destroy alliances" strategy in action in the health care debates. In the first round, back in Bill Clinton's day, he and Hillary proposed sweeping health care reforms. Bob Dole and his army of Republicans eventually made the Clintons' plan go away by working with health insurance providers and attacking the Clintons' alliances.

Larger constituents even "persuaded" some Democratic members of Congress that such features as employer mandate would be so expensive that if enacted, enormous damage would be done to their businesses. As retaliation, they'd have to place their support with other candidates.

The Republicans eventually eroded support sufficiently to cause the Bill Clinton to lose the war before it even reached a vote (which failed).

Seem familiar?

Fast forward to today and President Obama's attempts to reform health care. Even before the final bill reached both houses, Republicans were making claims of "death panels." Almost anything that could be used to generate fear, uncertainty and doubt was thrown against the wall to see what would stick. Even before it had a chance to go to a full vote, the health care reform bill was defanged, obfuscated, and otherwise weakened as a result of very effective flanking attacks by both opposition Republicans and industry groups.

Sun Tzu and I agree: Go on the offensive only as a last resort. As you prepare to do battle with the obstacle of your choice, remember this further piece of 2,400-year-old wisdom:

> *If weaker, be capable of withdrawing; And if all respects unequal, be capable of eluding him.*

Technique 9: Live with it (Accept)

I'll end this exploration of obstacle elimination techniques with the technique of last resort: Just live with it. Some obstacles just aren't going to go away.

You won't be able to finesse them away, you won't be able to attack them away, you won't even be able to run away. They're there.

These are obstacles that you're not able to get rid of with ease. Take, for example, the company with a seasonal business. If your business is creating haunted houses or selling Christmas trees, you're going to have only one boom time during the year. If this is your business and it's what you do, you're just going to have to accept the fact that it's seasonal.

It's what you do with that acceptance that can determine your success or failure. If it takes you all year to prepare for your season, then managing cash flow during the off time is one of the most important things you can do.

On the other hand, if you're idle during much of the off season, you might consider adding another seasonal business that's strong during a different part of the year.

Another approach is to expand how you define your business. If you define your business as a haunted house company, perhaps you can redefine your organization as a holiday destination event company and create destination events for holidays throughout the year.

* * *

Once you armed yourself with your ever-evolving strengths and you know how to eliminate and reduce obstacles, you'll be ready to handle whatever challenges are thrown your way and turn your life and your business into a game that consists of one home run after another.

CHAPTER 18

If you break, everything breaks

Ever since Lehman Brothers imploded in 2008 and the U.S. government started bailing out the banking system, I keep getting asked the same two questions by readers, radio hosts, reporters, business associates, and friends:

- Are we doomed?
- What can I do to make sure I'm not one of the casualties?

If you'd stopped after reading the first part of this book, you might have been left with the impression that we're completely doomed. Huge nations are competing with us and have billions of workers willing to work for a fraction of what we need to survive. Our own health care industry seems dedicated to keeping us sick and sucking us dry. The Internet has caused upheaval in the way we get our information and our goods and services, giving us unprecedented access to goods, services, and information, but at the price of flattening entire industries.

On and on it goes. Every time you check the news (notice, I did not say "read the newspaper"), you see more indications of trouble. It can be demoralizing and even scary.

But we're not doomed. In fact, we have a bright future ahead of us. Sure, if we rely solely on politicians to make policy changes, we may be in a world of hurt. But what makes America's economy is not the politicians, it's the business operators, the freelancers, and the workers of America.

We Americans have a way of routing around trouble, inventing new solutions, and finding new opportunities. Many people don't realize it, but even during the Great Depression, some businesses thrived.

Movies, for example, boomed during the Depression. "Talkies" were the talk of the town and soon a movie theatre was in nearly every community. People down on their luck still wanted to be entertained, *needed* to be entertained. In the days before TV and the Internet, the local theatre was the place to go.

Radio was also booming. In the 1920s, radios were only sold as kits, which you'd have to assemble yourself. Few people were willing to pony up $120 (about $1,500 today, based on the Consumer Price Index) for a box of parts. But by the 1930s, pre-built radios were available for as low as $5, up to about $35 ($64 to $386 in today's dollars). Even though it was a stretch for struggling families, radios were now something many Americans could afford, which turned radio into the media powerhouse of the time.

Other manufacturing industries were getting their start, although many would be co-opted by World War II production requirements. Mass-produced cars were just getting their start in the 1930s, as were electricity-based industries. It's hard for us to believe now, but there many newly electrified homes in the 1930s and light switch and receptacle manufacturing was a booming industry.

Home building boomed as interest rates dropped, and that drove a small boom in all of the building-related industries. Also, because war often results in a lot of spending, there was a ton invested in European rearmament, and that helped the defense contractors of the time line their pockets.

Even though many people during the Depression struggled, some succeeded. Difficulties for some companies proved to be opportunities for others.

In the next ten chapters, we'll look at ten ways *you* can make sure you thrive, without having to wait for the politicians to do the right thing (yeah, that'll happen!) or relying on anyone else to give you permission.

These tips apply whether you're a business owner, a manager, an employee, a freelancer, or someone who wants to start making (as in creating) your own living. You can take control of your own future. Don't just survive. Thrive!

Manage yourself

Let's start off right. Manage yourself. If you break, everything breaks. Like most of what's in upcoming chapters, this advice applies whether you're the head of a major operation or an individual trying to make ends meet on a day-to-day basis.

Stress makes you stupid and this is nothing if not a stressful time. We all need to stay focused and on our game. Mistakes are expensive, and the less we manage our emotions, the more likely we are to make mistakes.

I know this sounds like an obvious, and probably not all that helpful suggestion. If you're like most people, you probably think don't have time to calm down and think things through. You have things to do, places to go, people to see, and probably people yelling at you.

But it's at just exactly this time that you need to take extra care.

Three mistakes high

I have a friend, James, who flies model airplanes. He and his friends go out to a small field and on weekends they fly their models. These things are slick. Most are powered by gasoline and propellers, but there are even some scale model jet planes that actually fly using a jet engine.

These fully-functional, remote control, powered aircraft models are not cheap. A starter kit runs about $300, but once you add the remote control gadgets, and all the accessories, you're talking about a flying toy that's $1,000 or more.

Stay calm. Make it a priority.

As James explained it to me, you do *not* want to crash these things into the ground. They're expensive. When he flies, he likes to stay what he calls "Three mistakes high."

I love this term. As James told it to me, you're flying along and you make a mistake. Whoops. That's mistake #1. OK, you try to correct and you make another mistake. That's mistake #2. By now, you've pretty well figured out what you're doing wrong, and try to correct. Still not quite right. That's mistake #3.

If, by now, you've figured out how to fix the problem and your next correction gets the plane flying right and your expensive toy lives to fly another day. If you still haven't been able to safely straighten up and fly right, you're probably going to have to watch your pretty plane crash and burn.

I live by the "three mistakes high" concept. I like to make sure everything I do is at least three mistakes high. Many people live at either one or zero mistakes high. One mistake gives you only one chance to do something wrong or have one bad thing happen, and still recover. Zero mistakes means you're in such dire straights that any one error or bit of bad luck can mean you're in real trouble.

Do your best to stay three mistakes high.

Staying calm

Managing yourself means keeping yourself at least three mistakes high. It means making sure you don't let yourself get crazy or dangerously emotional because those emotions will sap your strength, get you in trouble, and lead to stupid decision making. Keeping yourself sane keeps you at least one mistake high.

There is a place in human reaction between stimulus and response. This concept is often attributed to Stephen Covey, but so many people have talked about it, that it's not clear who originated the concept. It's a powerful concept.

Everything we encounter is a stimulus. And we often respond without thinking. But if you can keep a space between stimulus and response and prevent knee-jerk reactions, you'll prevent yourself from making some really serious mistakes, and possibly avoid pissing people off who you'll need later.

Bottom line: stay calm. Make it a priority.

Don't make big decisions when you're cranky

Have you ever had a really bad day, thought about the big issues in your life, and made the decision to make a big change? Yeah, me too.

Many people don't make tough decisions until they're in an emotionally charged state. They need to get pumped up, riled up, scared enough, or angry enough to make a decision. They use the emotional intensity as a way to force a decision.

This is a very bad idea.

Many decisions are undoable once executed. Quit school, dump a vendor, mouth off at a business partner, leave a relationship, fire an employee — these are all very hard to undo. The thing is, most decisions can wait a day. If you can quit the job today, you can also quit it tomorrow. If you quit today and regret it, you ain't coming back tomorrow.

I use a simple rule: I don't make decisions when I'm upset or cranky. I sleep on them. If I still feel the same way when I'm in a better frame of mind, then I go for it. By using this simple time-out tactic, I've prevented myself from making what would have been some really dumb moves.

Bottom line: only make big decisions when calm and clear-headed. It never hurts to wait a day.

Eating and exercise

While I don't exactly look like the poster child for eating right, I'm still going to say it: it's important to eat right. Everyone will try to sell you on a different diet, or a different food plan, but you know what's right and what's not. You know living on McDonald's every day isn't healthy. You know ordering pizza on a nightly basis isn't good for you. If you don't know what's a perfect diet, simply make sure you don't constantly eat things you know (and you *do* know) are bad for you.

Exercise is also great. Studies have shown that cardio exercise is not just good for your hearth, it reduces stress and combats depression. And a brisk walk around the block is a lot less expensive than a monthly bill for antidepressants.

Bottom line: eat real food and exercise regularly, even if it's only a short walk. Once exercise becomes a habit, those short walks tend to become more enjoyable and get a little longer and you'll feel a lot better.

CHAPTER 19

Know your cash flow

When I started my first company, I had this great idea. I was going to go and talk with successful business people and ask them to give me advice about how to run a new business. I had a lot of friends, and in short order, I had ten lunch appointments set up with a bunch of successful Silicon Valley founders and CEOs.

I expected them to tell me, well, to be honest, I'm not exactly sure what I expected. I was young and still had stars in my eyes, so I guess I thought they'd tell me how to land the best deals or how to do amazing marketing.

You know, the sexy stuff.

But every CEO I lunched with, whether he was the owner of a five-person boutique software shop or she was the head of a 5,000-person Silicon Valley icon, each one told me nothing was more important to my success than two four-letter words: cash flow.

Cash flow. These are perhaps the two least sexy words to a budding entrepreneur. They are, however, the two most important words to anyone who has to run a business.

Cash flow is not just the money you have in the bank, it's the measure of how much is coming in, how much has to go out, how much you have on hand, and how all that *flows* through your accounts.

Over the years, I've learned that cash isn't just a clump of paper in your wallet or a number in your bank ledger. Cash is almost like the tides, with ebbs and flows. Some flows into your accounts, some flows back out. Hopefully (and here's where the analogy breaks), a little more remains in your account each time it flows in. You're going for reverse erosion.

The point, though, is you have to know how cash works, how it operates on and flows through all the nooks and crannies of your business. Even if you don't have a business, individual personal finance also requires understanding cash flow. You get a paycheck, you have bills to pay, you have credit card debt, you have money owed you. Different amounts at different times flow through your or family's personal accounts.

I did a radio show once where I talked about cash flow, and one listener called in. He had a mocking voice and he said, "I know my cash flow. I don't have any cash. There's my flow."

The thing is, for those of you who are struggling, knowing your cash flow is even more important. Cash flow means one thing to a successful CEO making a decision whether to break ground on a new facility. It means something entirely different when you're low on funds. You may be doing the oh-so-familiar calculation where you decide whether you should buy a sandwich because you're hungry or gas for your car so you can go on an interview.

I know. I've been there. Seriously. It. Is. Not. Fun.

For those with money challenges, knowing your cash situation in detail can be the difference between having heat in a very cold winter or freezing. It's critically important that you know the state of all your bills, what can wait, and what needs to be paid.

You're going to be constantly doing little cash flow calculations in your head. This is a good time to remember to make keeping calm a priority.

Know your banks and bills

One of the very best habits both businesses and individuals should get into is knowing what I call "Banks and Bills." You should know, on a daily or worst case, weekly, basis exactly how much money is in each bank account, how much cash you have on hand, and how much you owe. To the dollar.

This is important because knowing exactly how you stand will help you make smart decisions. Also, in this time of rampant identity theft, keeping a weekly or daily view on your financials will help you spot any discrepancies quickly — and if you're lucky, before you're completely cleaned out.

Know your guzins and guzouts

So what the heck is are "guzins" and "guzouts"? These two words are slang for "goes ins," as in money that goes into your accounts and "goes outs," the money that you spend or leaves your accounts. It's just a lot more fun to say "guzins" and "guzouts" than A/R and A/P.

You do need to know your top A/R — and your top A/P. A/R is a business term meaning "accounts receivable" and describes who owes you money and how much. Most businesses are quite good at keeping track of who owes them money, but not quite as good at collecting. Don't be inappropriate (or illegal) about it, but stay on top of people or companies who owe you money and make sure you remind them to pay you.

Most people (and businesses) aren't quite as good at keeping track of who they owe, but this is often more important, even, than what comes in. Cash flow is a game of "ins" and "outs" and accounts payable is often your biggest outflow.

If you keep track of who you owe money to, you can prioritize who gets what, keep track of commitments, and deal honestly with your creditors.

Be honorable and keep your promises

Here's an important piece of advice: be honest with your creditors, the people you own money to. They can't get blood from a stone, but honesty is often the best policy. I know. Cliche. But true.

Here's the thing: creditors are human, too. While we've all had our fair share of the nasty ones, most of them will cut you some slack if you're honest and you keep your promises. If you promise to call once a month to check in, do so. It shows you're reliable and can be trusted.

If you promise to pay on a certain payment schedule, do so. If you can't make the payment, don't ignore the problem. Call your creditor and talk it through. The more honorable your creditor perceives you to be, the better your relationship will be. It may not be smooth, but it probably won't escalate.

Prioritize creditors

I briefly mentioned prioritizing creditors, but I want to make a point about this. Not all creditors are created equal. If you're looking for a job, making sure you can be reached is the single most important thing you can do. It used to be that meant making sure your plain ol' hard-wired telephone line was working. Now, it means making sure you keep your cell phone paid up and have a way of regularly getting online (either by paying for service, going to a free hotspot, or just using the apps on your phone).

Even if you have to sleep on a friend's floor, make sure you can get that important call!

Businesses can also prioritize creditors. Obviously, you want to pay everyone, but sometimes you need to pick and choose how much. Those who are the most important to your business' operation come first. Those who aren't as important come later. Except for Big Lou from Jersey City. Big Lou always comes first.

I'm kidding of course. Don't borrow money from Big Lou. That'd be like the United States government borrowing money from China. Oh, wait...

Manage your spending

This is also a good time to manage your spending. I've been through a bunch of recessions and shepherded my various businesses through at least three. One of the most valuable techniques for both business and family cash management is simple: only buy what you'll use now.

We're Americans, which means we have an epic amount of crap in our lives. We have rooms of hobby crap. We have closets filled with clothes and shoes. We have parts from appliances we no longer own and we have DVDs and video games we bought years ago and have never even opened.

I wrote a whole piece about this for CNN, called "Infrastructure or chotchkes?" It's included in the appendix of this book.

The bottom line is we often spend on things we *might someday* use, not necessarily things we are actually using. We're giving a lot of our cash to other people, in return for the privilege of storing their stuff.

Store it in the "cloud" or let Wal-Mart store it

It's true. When you buy 30 skeins of yarn that you might *someday* knit, you're storing that yarn for the yarn store, and paying for the right to do so. You're not using it, so what else are you doing? You're storing it.

When you buy all those extra camping supplies because *plan* to go camping someday and it was *such* a good deal, you're not using that gear. You're just storing it — and paying for the privilege.

We Americans do this all the time. *I* do this all the time. But the America of the 21st century is very different from the America of even in the 1960s and 1970s. Back then, specific stuff was often difficult to come by. You generally were able to only buy from local stores and some catalog suppliers, if you even knew that a given supplier existed.

Specialty goods were often locked away from consumers. Many businesses would only sell to others "in the trade." If you wanted a left-handed smoke-shifter and you weren't in the smoke-shifter business, there was no way you were getting one. So, that one lucky day when you happened to find someone willing to sell you a left-handed smoke-shifter, you'd snap it up, because you might someday need it — and would probably never have another opportunity to buy one again.

But today, *everything* is available. And I mean *everything*. Stuff you don't even want to know about is out there, a single Google search away. You can go to Amazon.com and buy just about any book, or just about anything else you want. There are online stores for nearly everything you could possibly imagine and if you want it, it can usually be here tomorrow.

When I grew up, FedEx didn't exist. When you absolutely, positively had to have it overnight, you didn't get it.

And then there's Wal-Mart. Down here in Florida, we have a Wal-Mart in every town. Here in Palm Bay, we have two, in case driving an extra five minutes is too much work. And they're open 24/7. If you need something, at any time of the day or night, the odds are Wal-Mart has it.

There are all sorts of debates about whether buying from Wal-Mart is good for America. I'm not going to go there, other than to point out that Wal-Mart is a real, honest, American success story about a company that started in Arkansas, of all places.

But the point, from a cash flow perspective, is that you can let "the cloud" (the Internet) or Wal-Mart store your stuff until you need it. Why buy it, lug it from home to home or office to office, use up your valuable space, and let it deteriorate, when you can get almost anything you want, almost instantly, from the cloud or the store down the street?

Save your money. Save your space.

Take advantage of being small

This last bit of advice is for those with small companies and all you freelancers out there. As you'll recall, pretty much the only way America can create and save all the jobs it needs is through the growth of very small businesses. Fortunately, those of you running or working for tiny businesses have some advantages.

Small businesses often have some unexpected advantages over larger businesses in a down economy. First, of course, you don't have anything like the enormous capital burn rate of your larger brethren.

You can make decisions far faster. Small companies have less internal red tape (often, none at all) and you can respond faster and be closer to the customer.

Small businesses can often fund operations through cash flow. Although it can be exhausting after a while, individual owners can use sweat equity to accomplish amazing (and otherwise very expensive) things.

Cash flow recap

Cash flow is so important. Here's a quick recap of the key points in this chapter:

- Know your banks and bills
- Know your guzins and guzouts
- Be honorable and keep your promises
- Prioritize your creditors
- Stay away from Big Lou from Jersey City
- Only buy what you're going to use now
- Let the cloud (the Internet) or Wal-Mart store stuff
- Take advantage of being small

To most new entrepreneurs, the subject of cash flow isn't sexy. But, if you've got good, positive cash flow on a steady basis, there ain't nothing better when it comes to being successful, keeping your business running, and your family under a good roof.

CHAPTER 20

Optimize your operations

One of the easiest and certainly least expensive ways to improve your overall productivity is to optimize your operations and streamline your systems.

But, before you can streamline your systems, you need to understand them. When you understand your systems, you can see waste more easily. When you understand your systems, you can see opportunities more easily. And when you understand your systems, you can save money, sometimes a lot of money.

So, what are systems?

Systems are standardized processes for getting things done, and each business has a need for different systems. Individuals and families can have systems as well. In the case of your business, your systems keep things going smoothly and predictably — and the same thing can apply to you at home.

Sometimes systems can seem like small things, inconsequential things, even somewhat anal behaviors, but if they can increase your throughput, prevent fights, get more done, and save money, they're well worth it.

The rightful second cup

To illustrate this, I'll share with you one system my wife and I developed shortly after we got married. Now, to understand this, you first need to know we are both *very* willful people, long used to getting our own way. It's part of why we're perfect for each other, but it also means we could make each other nuts unless we had some basic rules of engagement.

For us, the first and most important rule of engagement was about morning coffee.

Our regular-sized coffee pot brews about 4 2/3 decent-sized mugs of coffee. Shortly after we got married, whoever got to the pot first would drink most of the coffee (Ok, it was me). My blood is made of 97.23% coffee, I'm not big on mornings, and when I get up, I like me a lot of coffee.

My wife also wanted her coffee and initially, it'd be a madcap race for the coffee pot, some hurt feelings, and the occasional spill. We had a wee bit of stress about what you'd think was an inconsequential issue. That is, until we negotiated what became our first household system: the rightful second cup.

We agreed that if there were 4 2/3 cups of coffee, each of us was entitled to two cups. Of course, the next morning I found a loophole in our deal and simply filled the very largest mug I could find in the cabinet with my coffee and...let's just say Denise wasn't happy.

So we added to the system the designation of a set of official morning coffee mugs. These were the mugs that would properly allocate two cups to each of us. That allowed Denise to have her "rightful" second cup, which is where that term came from.

We also agreed that the remaining 2/3 of a cup, which we officially designated the "dregs" was fair game. Anyone could have it, first snag, first drink.

Now, you might think that this "system" was over-managing the morning coffee experience and you might be right. But we haven't had a morning coffee fuss since we came up with the system — and I gotta tell you, harmony in the morning is a beautiful thing.

Defining and refining the system

If you think about it, there were certain elements to our coffee "system." Our problem statement was this: how do we fairly allocate the morning coffee resource to both (by age, at least) adults?

We also had to determine certain measures, including just how much coffee was generated by the coffee pot (not the amount of water that went in, but the amount that came back out). And then we had to allocate the right cups to fit our desired measurements.

This, essentially, created a small coffee production line, where first thing in the morning, while our brains weren't really working at full power, we didn't need to make any decisions. We simply followed the system and it all worked.

What are your systems?

Now, quite obviously, making the morning coffee routine work isn't going to change the world. But it did remove an element of friction my wife and I had, and if you recall that keeping stress down can help increase your chances of success, this one gimmicky system reduced our daily morning stress measurably. Plus, it's never good to start the day grousing at your spouse.

Nearly every repeatable process you do is a system. Go through your operations at work and make a list of those processes you do repeatedly. You can do this at home as well. It might be a very interesting exercise.

Once you make that list, give each element a letter grade of A, B, C. A-grade processes are those that work perfectly and B-grade processes are those that cause bottlenecks, and C-grade processes are those that just clearly are broken, where you lose a lot of money, regularly make mistakes, or wind up in fights.

Once you've got your list, take a look at each bottleneck process and each broken process and identify the elements of the problem. Even if you create one new system a month, you'll be improving your productivity and saving a lot of money in the long term.

If you can't systematize it, you can't optimize it. If you can't optimize it, you can't scale it. And if you can't scale it, you can't delegate it.

Systems can keep you sane. Poorly optimized operations can make you nuts. Go for the sane. In the long run, you'll be a happier person, your employees will be less frustrated, and you might prevent some unnecessary disagreements.

CHAPTER 21

Manage with integrity

We humans have powerful B.S. detectors. With the possible exceptions of religion and politics, where we often turn our B.S. detectors off in favor of doctrine or upbringing, we can smell crap a mile away.

We humans are also very good at putting other humans into categories. Bob's an upstanding guy. Hank's a slimeball. Bill's a nut. We do it all the time.

The problem is, once your partners, coworkers, friends, business associates, and even family members stick you in a particular box in their minds, it's awful hard to get them to think of you in a different light.

If your customers, employees, vendors, partners, and constituents perceive you as a person of integrity, they'll be far more inclined to trust you and work with you. If they perceive you as lacking in integrity, they'll be far less inclined to trust you and cut you slack.

Be honest with your employees, vendors, partners, and constituents. You don't have to tell everyone the whole, ugly truth about everything, but don't lie.

Putting the ship first

When you make decisions, there are always trade-offs. One key to being a good manager is knowing what to put first, which trade-off to choose over another. One powerful way to help you decide what comes first is to remember that you must "put the ship first."

Imagine your company as a ship. All the employees are on the ship, and the ship's job is to sail you around the ocean. If you had to make a choice between keeping the ship afloat or keeping an employee, the ship would have to come first.

Think about it. If you put the employee first and the ship sank, none of the other employees would make it home safely. If you put the ship first, most of the employees would make it home. Without the ship, no one survives.

I almost lost my first ship. When I was much younger and running my first business, we ran into tough economic times and I was faced with having to make my first layoff. I had a software developer working for me at the time. He was the key guy making our next product, the product we expected to bring in the bulk of our company's revenue.

When he found out I intended to layoff a few of our employees, he essentially blackmailed me. He said that if I fired them, he'd quit, and we'd have no product. At the time, I didn't understand the concept of putting the ship first, so I gave into his blackmail at the cost of both the company's well-being and my own. I put our entire payroll on my credit card. I wasn't wealthy (far from it), and that damaged my personal finances for more than a decade.

Besides, the blackmail didn't work. Once I'd used up my credit limit, I still had to let people go, including the developer. By this time, we didn't have any cash to make strategic corrections. I'd spent it all on people I should have laid off, and then spent my credit limit to the bone. The company survived, but just barely.

If I'd put the ship first, I would have terminated the employees who were effectively less essential to the operation. It would have freed up money for cash flow. If the developer threatened to quit, I should have let him go, and used the money from his salary to fund a new project.

I didn't know any better at the time (I didn't have a book like this to advise me), and it nearly cost me my company — not to mention the personal financial hardship I had to live with for years as a result of it.

Repurpose good people

Putting the ship first doesn't mean indiscriminately firing employees. Know all the strengths of each employee. Have each employee build a strength list like I described in Chapter 16.

This will allow you to possibly find hidden resources in your current employees and potentially repurpose an individual from one job to another.

On the other hand, do get rid of your obvious dead wood. If you did your best when you hired someone, it isn't all your fault if things just don't work out.

If someone's not pulling his or her weight, if that person has a bad attitude or causes problems, it's often a good idea to "dehire" them. After all, the ship must come first.

Speaking of dead wood...

Here's a tip within a tip. Since we're talking about dead wood, now is a good time to de-clutter. We Americans collect an epic amount of crap.

I've mentioned our propensity to fill our spaces with stuff in three chapters now, and you must be wondering what that all has to do with jobs and your success in the midst of what's essentially a business book. The answer is "broken windows."

Harvard's James Wilson and George Kelling wrote an article in the March 1982 issue of *The Atlantic Monthly* entitled "Broken Windows: the police and neighborhood safety." In it, they stated:

> *Consider a building with a few broken windows. If the windows are not repaired, the tendency is for vandals to break a few more windows. Eventually, they may even break into the building, and if it's unoccupied, perhaps become squatters or light fires inside.*
>
> *Or consider a sidewalk. Some litter accumulates. Soon, more litter accumulates. Eventually, people even start leaving bags of trash from take-out restaurants there or breaking into cars.*

Their theory was that, "At the community level, disorder and crime are usually inextricably linked." The worse the neighborhood was in terms of appearance, the worse the crime. The proliferation of broken windows was an indicator that the police couldn't control the neighborhood and *that* became an open invitation for criminals to prey on the community.

Wilson and Kelling theorized that rapid repair of broken windows would demonstrate control and, if disorder and crime were truly linked, less disorder would lead to less crime.

The classic test case of this came in New York City, when the city instituted an aggressive program of graffiti removal in the subway system in the 1980s. When Rudy Giuliani became mayor in the 1990s, he extended the program to enforcement of turnstile jumpers, squeegeemen, and other minor, but very visible crimes.

By many reports, crime went down as a result of this program. Similar successes after instituting "broken windows" programs were reported in studies of crime rates of Albuquerque, Lowell, Massachusetts, and even The Netherlands.

Clutter control is an example of how you can extend the "broken windows" strategy of law enforcement to your personal and business life. All that clutter is dead wood. You need to get rid of it — at work and at home — in order to have space to think, to work, and to grow.

Look around you. Stuff is everywhere. It's virtually impossible to solve big problems if we don't solve some of our small ones. And "stuff" is one of our biggest small problems.

How many times have you moved and taken your stuff from one place to another place, it's the same stuff, and you haven't used it any more in the new place than in the old place?

How many of us have entire garages or basements piled to the rafters with unused junk? How many of us pay rent for business space, where much of that space is filled with stuff we're never going to use?

There are entire television programs devoted to helping people remove clutter from their homes. It's actually terrifying to realize just how much of the stuff we surround ourselves with is really refuse that we've refused to throw away.

Excess stuff is one of the biggest problems for families and companies. And it can cost you a lot, both in terms of productivity and real money — and potentially jobs.

To illustrate this, I did a search of office space in Manhattan, one of the more expensive places to work. I found 2,460 square feet of space near City Hall, perfect for a law firm. The asking price is $35 per square foot, which is what it costs to rent a square foot of space for a year and is relatively inexpensive by Manhattan standards. A closet that's 8-feet wide by 10-feet long is 80 square feet. That costs $2,800 to rent for the year.

Is it really worth spending $2,800 a year to store a pile of clutter? Is it worth spending $28,000 to store ten piles of clutter? Just how much new stuff could you get if you freed up $28,000 of floor space or didn't have to pay to rent it? How many hours of an employee's time could you now afford if you didn't have to rent floor space to store your junk?

Dumpster Day

Many years ago, when we tried to shoehorn yet one more old computer into our office storeroom, we realized we were overwhelmed with crap. We started a tradition, what we call "Dumpster Day" (and no, you don't need a dumpster).

The idea behind Dumpster Day is simple. Spend the entire day cleaning out things you don't use and either throwing it all out, taking it all to a donation site like Goodwill Industries, selling it all on eBay (if you'll *really* do it — be brutally honest with yourself), or putting most of it out for recycling.

Dumpster Days are all-hands-on-deck days, where we expect everyone to dress for dirty work, dig in, and clean out. We often bring in pizza and have a great time. The payoff, of course, is a lot more room to work, and a lot of old stuff that had been simply sucking up space is now gone.

Here's one great thought for Dumpster Days. Almost all of us will have to move someday, whether it's to bigger, better offices, a nicer home, a smaller home that requires less upkeep, or smaller offices to save money. Whatever you keep, you're going to have to move.

When it comes to your clutter, there's no need for sacred cows. If you haven't used it, don't expect to use it, don't know what it's for, if it's rotting or otherwise deteriorating, if it's from a previous gig, a previous life, or you have no idea what the heck it is, throw it out.

Remember, if you need it again, it's stored in the cloud (and Wal-Mart probably stocks something very much like it).

CHAPTER 22

Pay attention to quality

Next to managing your cash flow, there is probably no better advice I could give you than this: pay attention to quality — and this includes customer service quality.

Making money involves a transaction. In return for labor, talent, inventiveness, experience, ability, goods, and other services, you get paid. The more someone values what you have to offer, the more they're willing to pay.

If you want your business to succeed, stop outsourcing customer service to India. Nothing infuriates Americans more.

For example, I love a perfectly cooked, big ol' prime rib a lot more than the typical Double Quarter Pounder with Cheese. That's, of course, assuming the prime rib is good. If it's good, I'm willing to pay far more for the rib than what I'd pay for a Double Quarter Pounder with Cheese. Sadly, I've found there's a lot of variability in prime rib quality, even at the same restaurant, and so the expensive prime rib meal is always a bit of a gamble.

A Double Quarter Pounder with Cheese is never a gamble. You always know what you're going to get. You can order a Double Quarter Pounder with Cheese in Florida, in New Jersey, in Massachusetts, in California, and probably even in Beijing and you'll get exactly the same thing.

Quality can be systematized

The quality McDonald's offers isn't the cut of their meat, it's the consistency of their delivery for the price. They are rock-solid reliable in their tasty mediocrity.

Quality is always important, but in a down economy it's far more so. You're far more likely to lose customers due to bad quality in down times. That makes sense. People are likely to be more careful in their transactions, value the amount they spend more, and be less willing to waste money. If you lose a customer due to poor quality, they're less likely to give you another chance.

Quality can be systematized, too. We talked about systems in Chapter 20 and you can use systems to increase your quality. That's what makes McDonald's so reliable. Everything is systematized.

In fact, that's how McDonald's managed to completely disrupt the food service business when they created their "Speedee Service System" back in 1948. They were able to both underprice and outperform their competition.

Customer service quality

Customer service is part of quality as well. In addition to the simple ethical desire for customers to derive value from their purchases, it's important to remember that customers often buy more from companies they like, suffer less buyer's remorse and return less, and provide good word of mouth (a form of free marketing that's invaluable for any business).

On the other hand, bad customer service can be an impediment to future sales. If you work for a huge business, like Dell, perhaps you'll decide that the few customers you lose over bad customer service is just another cost of doing business. If you run or work for a smaller business, each lost customer means money not in *your* wallet.

Dell is an interesting case. I work with a lot of IT managers (people who manage the computer networks at their companies) and many of them like Dell. First, the company produces excellent products. Second, the customer service provided to enterprise customers with service contracts is apparently quite good. However, almost everyone I've spoken to who has purchased a Dell as a regular, non-enterprise consumer has some horror story about dealing with Dell customer support, which has been outsourced to India.

In Chapter 7, I talked about how India's lower labor cost and excellent quality, as illustrated by the case of ZOHO, could give America a serious run for its money.

Customer service doesn't outsource nearly as well. That's because of two limiting constraints: language and authority. Language is often a big factor, because Americans are somewhat xenophobic, and often have difficulty understanding foreign accents. As a result, many customer support calls result in Americans shouting at underpaid citizens in other countries, who are trying desperately to remain polite but are woefully unprepared for our needs.

As a result, a customer service experience is often deeply unsatisfying. If the customer service agent can't help, there's usually no one of authority who can simply fix the problem. Instead, and this is particularly the case with Dell's support, American customers feel they're in some sort of support limbo, where everyone with an accent is strangely named "Andy" or "Al" or "Ben" or "James," when you're sure their real name is Minesh or Pravin.

I can't tell you how many people have told me they'd thought of buying another Dell, but when they recalled some previous support experience, they reconsidered and bought another brand.

If you want your business to succeed, stop outsourcing customer service to India. Nothing infuriates Americans more.

Take an attitude check-up from the neck up

Quality also applies to those of you who are employees, not just managers and business owners. If you're an employee, you're the one providing your employer's customers with their experience. To the customer, you're the face of your company. If you give a bad impression, it isn't just your boss that'll suffer. You'll suffer, too.

Here in Palm Bay, we used to have a nice Quiznos sandwich shop in the neighborhood. Over time, I got to know the franchise owner, who was finding it difficult to keep and sustain business. One one hand, her location wasn't necessarily the best. Yet, I long suspected that her real problems were her employees — local high school students — who, to be kind, had *terrible* attitudes.

Because I work long hours, I often called to have sandwiches delivered. I'd order three or four big sandwiches, which would last a few days and I knew that I'd have good food, even at the weird hours I was working. One day, I called and placed an order for a bunch of sandwiches. I spoke to a young man on the phone, who clearly didn't want to take the order. When I finally detailed the four sandwiches in the order, he replied, "We don't even have enough bread for that," and hung up.

This showed me two things. First, it showed me the store owner hadn't managed her inventory right. After all, if a sandwich shop can't take an order for four sandwiches, there's something wrong. But the kid's attitude was what really sold it for me. He didn't tell me that they had, say, three rolls. He just hung up.

I decided to order pizza instead. The next few times I thought about ordering Quiznos, I just didn't feel like putting up with the hassle, so Dominos or Pizza Hut or Papa Johns got my business instead. A month or so later, I drove by the strip mall where the Quiznos was located and discovered they'd closed. To this day, I have no idea whether the owner realized she was losing business because her customer service was so bad.

The thing is, I like Quiznos products a whole lot more than the food from Dominos, Pizza Hut, and Papa Johns. But service from the pizza shops was so much better that I ordered from them. I'm sure I'm not the only one who chose the pizza places rather than put up with the hassle of the poor worker attitudes at Quiznos.

Those kids who worked for the Quiznos might not have cared — at least until the day their jobs went away.

If you're an employee, it's even more important for you to have a great attitude (or at least present a great attitude to customers). Your job may depend on it.

The Internet means word of bad quality gets around fast

I mentioned the popular blog FiveThirtyEight.com earlier in the book. According to Michael Fern, assistant professor of strategy at Santa Clara University, at the height of the Presidential election, FiveThirtyEight.com had about the same readership as the *Denver Post,* about 800,000 readers monthly.

During a non-election season, we can reasonably assume their readership dropped. Let's just say they have half a million readers instead, including me. It's one of the sites I visit every day.

Normally, they provide really excellent political analysis. But on Monday, November 16, 2009, there was a different story by Nate Silver:

Never, ever, for as long as you live, rent a car from Thrifty, who are every bit as cheap as their name implies. Our rental car here in San Francisco got broken into over the weekend and — while fortunately all of our luggage was out of the vehicle — the GPS unit that we'd rented with the car was taken.

Even though we were paying something like $200 in insurance coverage, the GPS unit was apparently not covered. Not only that, but the replacement cost they want to charge us for the unit ($500) represents something like a 100% markup off what it would cost to buy an equivalent device at Best Buy, which they say we can't do since it won't contain their "custom" software.

So these guys are turning burglary into a profit center. Skip over the Thrifty counter the next time you're at the airport rental counter.

Was Thrifty really at fault? Who knows. But Nate has 500,000 or so readers. And that's not counting all the people who Google "Thrifty" over the next few years and turn up this story in the search results. If even 1% of Nate's readers take his advice to heart, that's 5,000 sales lost.

At about $100 or more per car rental, that's $500,000 in lost rental revenue because of what one customer perceived as poor customer service. That'd pay for, what? Five jobs? Ten jobs?

With Twitter, it can happen even faster. One quickly "tweeted" complaint can go viral to hundreds of thousands of consumers in seconds.

Remember: quality means happy customers. Happy customers are repeat customers. Repeat customers will make you happy.

CHAPTER 23

Nurture your customer list

Over the years, I've talked with a lot of business owners and there's one sure-fire question that helps me determine if they're in trouble or not. If I can ask a business owner "Who are your top five customers?" and I get back a blank expression, he might as well take his bat and ball and go on home, 'cause this game is over.

I've talked about this over and over, but your customers *are* your business, despite what the health insurance industry might believe. Think about it. There wouldn't be anything like the push for health care reform if most of the insurance industry hadn't been such jackasses about ripping off their customers.

If the players in the insurance industry hadn't spent so much of their time gaming their customers, trying to deny coverage to those who needed it, and taking money from those for whom they provide no service, they probably wouldn't have made the obscene amounts of money they have, but they also wouldn't have garnered the level of discontent they have, either.

Know your best customers

It's important that you know your best customers. It's always easier to sell more stuff to existing customers than convert cold leads into new customers.

First, you know how to find them. They should already be in your customer database. You can often resell, upsell, and cross-sell new solutions to existing customers. You can even use existing customers to help you sell to new customers, either by getting referrals or testimonials — or both.

This book wouldn't have been possible without ZATZ Publishing's customers. Not only did the revenue we got from them help fund the publishing effort of the book, I also got valuable feedback on the content of the book throughout the writing effort.

Since I have business customers all over the world, I received a wide diversity of intelligent and thoughtful input into many areas as I wrote each section. I got referrals to other interesting people and experts to talk to, and, of course, ZATZ' customers paid my salary and the salaries of the editors who help put the book together.

Make sure you know your best customers. Make a list of your current top customers, both in terms of how much money they've spent, and in terms of the intangible contribution to your business. Are they good informal advisors? Do they always provide good business leads? Do they have a good ear for industry news and gossip? Can they introduce you to experts and get you good press? Will they give you endorsements and recommendations? What can you do for them, in return, beyond your standard product and service offerings?

Know your historical customers

Now, make a list of your "historical" customers, those customers you previously sold to, but who aren't buying from you now. Go back as far as you can, and order them by how much they've bought from you. Make sure you've got up-to-date contact information in your customer database for each historical customer.

Now, start prospecting to your historical customers. Selling back into your old customers is still going to be easier than starting a relationship from scratch and finding new customers.

Yes, you may have to listen to them complain. You'll probably have to endure whining or even anger at you about why they dropped your products and services. This can be invaluable feedback.

And, yes, you may have to go out of your way to cut a deal, but it's worth it. First, of course, you get a sale. Second, there's nothing like the feeling of turning around a relationship and getting a customer back into the fold. It's like chocolate, coffee, pizza, and pie all rolled into one. It tastes *sooooo* good.

Referrals. Referrals, referrals, referrals. Did I mention referrals?

Next, every time you talk to a customer, a historical customer, or a prospect, ask for referrals. Ask them for names, emails, and phone numbers of people they think you should call. Ask them to make introductions for you. Ask them to recommend you to people they know who might need what you have to offer.

Not everyone will do this for you. In fact, maybe only one out of ten will be willing to help. But that's good enough. On the scale of easiest to hardest prospects to sell to, prospects that you get through referrals are considered "warm" and are much easier to get through to and sell than someone you found on a list or a Web site.

Nurturing your personal customer list

By the way, nurturing your customer list applies to you if you're an individual worker as well as a business manager. For you, your customer list consists of your former employers (not just the companies, but the individuals). It also consists of all the people you've worked with in the past. And, it also might consist of all the customers of all the companies you've worked for, especially if you've established a relationship with people at those companies.

One great way to nurture a personal customer list is to use the Web site LinkedIn.com. LinkedIn is a "social network," but unlike Facebook and Twitter, LinkedIn is designed for professional contacts and is filled with a lot less personal junk.

Use LinkedIn to go back and find all the people you've worked with, reconnect with them, and add them to your contact list. Pay particular attention to the LinkedIn groups, where you can find alumni of the various companies you've worked for.

In this way, you can stay loosely in touch with everyone you've worked with, and you can also start to use this list as a warm prospect list when you're looking for a job, starting a new job, going freelance, or starting a new business — or if *you're* now the hiring manager and looking for some good people for your team.

CHAPTER 24

Market like your life depends on it

Wow, that sounds melodramatic, doesn't it? Market like your life depends on it. At the very least, your business life depends on marketing. To be fair, good marketing also helps most individuals as well, since getting a gig always has a marketing component.

When you think of marketing, I'd like you to think of three simple formulas:

PR + Advertising = Marketing

Marketing = Awareness

Awareness + Great Product or Service = Sales

Let's look at each of these in turn. First, do you know the difference between PR and marketing?

The power and majesty of PR

PR means *public relations.* Public relations is the marketing discipline that uses editorial in the press to get your word out. For example, when I mentioned LinkedIn in the last section, I was giving them some free press. When a product, company, or service is reviewed in a magazine or otherwise covered in media, that's free press.

Notice, in particular, the use of the word "free" here. PR is generally free. That is, the publication that runs an article about you isn't charging you for the privilege. That doesn't mean PR doesn't cost anything, because companies often buy press lists, hire someone to write or rewrite press releases, and even hire a PR agency to call on members of the press on their behalf.

The key, though, is the editorial content is run because the publication decides to run it, not because they got paid to run it — at least if the publication is ethical. There are, as you might imagine, some publications, blogs, and Web sites that charge for better editorial placement, charge for praising products, and even charge for better review ratings — regardless of the actual quality of the products they write about.

Stay clear of these operations. If you're going to pay for marketing, buy an ad. If you can't get a good review unless you pay for it, then you shouldn't be selling what you're selling. You won't have happy customers, you won't be able to sustain your business, and everyone will think you're ugly and your mother dresses you funny.

The benefit of PR is that you can get some amazing coverage, coverage that has a value far beyond anything you could possibly pay for. The downside of PR is you have absolutely no control over that coverage. You don't control if it'll run. You don't control when it'll run. And you don't control what'll be said about your offerings.

To a certain extent, that's good. If a reputable publication gives your product or service a good review, readers know there's integrity in that review and your product is probably quite good. They tend to trust endorsements in editorial far more than ads with "We're #1," plastered all over the place.

PR is worth it's weight in gold. PR will sometimes get you leads, but you can't count on it. In fact, there's nothing you can count on with PR, except for this: when it works right, it's powerful. Good PR, because it often increases your credibility, can go a long way to helping you close.

After all, if a prospect is considering one company she's never heard of and your company, which she's heard good things about, which is she likely to choose? You, of course.

There's also nothing wrong with helping a prospect make a decision in your favor by pointing out a review someone else wrote about your company or product. After all, you can't just assume your prospect has seen everything said about you and pointing out good reviews can help her make a better decision on behalf of her company.

Advertising gets results

Unlike the fourth estate (the press), advertising is under your control. The message is completely under your control. You decide what, exactly, is said and shown in each ad. You decide how your ads are presented and how often they run. You decide when and where you get visibility.

Before I go further, in the interests of full disclosure, I need to remind you that I make the bulk of my living through advertising. ZATZ is primarily an online magazine publishing company. Since we give away our editorial content for free, it's all supported by advertisers. To be fair, I have a number of other income streams, but if I have anything resembling a "day job" where I get a regular paycheck, it's at ZATZ. So, I make most of my living from advertising.

This is important, because it shows how well advertising works. ZATZ has been selling advertising since 1998, and although we've had customers come and go, we have a core group of advertisers who've been advertising pretty much continuously in the ZATZ magazines since 1998.

If the advertising wasn't working for them, you can be pretty sure they wouldn't continue to send us checks month after month, year after year.

The reason our advertising works so well is that we target very specific groups of prospects for our advertisers. *DominoPower Magazine* is specifically aimed at IBM Lotus IT professionals. *WebSpherePower Magazine* is specifically aimed at enterprise Java, Eclipse, and WebSphere professionals. *OutlookPower Magazine* reaches Microsoft Outlook and Exchange users and administrators, along with active email users. *Computing Unplugged* reaches high-spending gadget and home entertainment consumers and *Connected Photographer* reaches those who want to get the most out of their cameras.

This level of targeting very important if you're going to consider advertising. Make sure you advertise using a medium that will reach your prospect audience.

If you sell industrial refrigeration systems, for example, don't buy a radio ad on a Top 40 station. Find the refrigeration trade journals, the restaurant trade journals, the meat processing trade journals, and any other targeted trade journal that reaches professionals who actually buy refrigeration systems.

Don't discount Web-based advertising. These days, advertising on Web sites can be much more cost effective than print advertising. Find the refrigeration-related sites and find the bloggers who are the opinion leaders for your industry. Buy ads on their sites.

Marketing yourself

Most individual employees and job-seekers are unlikely to employ advertising, with one exception: Craigslist. Craigslist has a bunch of categories for those looking for work, and you can post information about yourself and the situation you'd like to find, usually for free. It doesn't always work, but it's free, and it's there, so why not give it a try?

Two other great individual marketing tools are LinkedIn and Twitter. LinkedIn is a social networking site primarily designed for people to swap career information. It's a great way to stay in touch with colleagues and former co-workers, keep them up to date on what you're doing, and keep track of changes in their careers.

Twitter is also a great way to keep prospective employers, partners, and others informed of what you're doing. When you post on Twitter you build a following, and those postings are great PR for keeping people in touch with what you're doing.

Now, here's a time for a word of caution: don't go wild and post about your last drunken orgy or anything else you may have done that shouldn't be shared publicly. I've probably done a hundred television and radio interviews on the dark side of social networking. One of the biggest mistakes you can make is posting inappropriately.

Twitter also serves a very interesting purpose, especially in our modern media times, and especially for those who are somewhat in the public eye like writers, reporters, radio personalities, TV personalities, and so on. It used to be that if you had built a following, you did so through the media company you worked for. If you left or lost your job there, the media company kept your audience and it was very hard to get them to follow you to your new gig (or follow you between gigs).

But now, with Twitter and Facebook, you can build a following that you control. If you leave your media company, you can take your Twitter account with you, and let all your followers know where you've wound up. This has proven particularly handy for many journalists who've lost their jobs in traditional media, but who've channeled their Twitter and Facebook followers to their new blogs and other online presences.

Even without Twitter, LinkedIn, Craigslist, and Facebook, PR is a powerful tool for individuals, especially those who'd like to develop a reputation as an expert. A good reputation can often help you close gigs, can help you charge a little more, and provides a level of predefined trust and assumption of authority that can't be beat.

Let's assume you repair computers. If you're the guy on the radio who talks about computer stuff, if you're the "Computer Guy," you're far more likely to both get calls from prospective customers and find it easier to close deals.

Hiring managers often have a hard time distinguishing between a few great candidates. If one has published a bunch of articles, has a popular industry blog, or is otherwise more notable than the other, the more notable of the candidates is the one more likely to get hired.

Building some small level of notoriety is pretty easy. You don't have to start by writing a book. Just find a Web site that specializes in the same area where you're looking to get more visibility and offer to write for them. It's always best to have a few article concepts in mind, meet any agreed upon deadlines, and write something that's good. Many publications and Web sites also have published writer guidelines.

Read them and follow their instructions. An editor is far more likely to accept a submission where the author shows he's professional enough to follow guidelines than one where the author completely disregards submission standards.

Go ahead and start your own blog. You don't need any programming skills and there are even great services that will give you a blog for free. One of the most respected is WordPress.com. Point your browser there, log in, and blog away. For free.

Once you start making yourself visible, you'll begin to establish some level of additional credibility and you can work your way up the PR credibility food chain, writing for more and more prestigious (in your industry) outlets. Doing this doesn't guarantee you'll get a job or gigs (there are a lot of unemployed technical industry writers and journalists, unfortunately), but the better known you are, the better your chances.

CHAPTER 25

How to think about outsourcing

Throughout this book, I've pointed out how the rise of outsourcing can be damaging to Americans' employment prospects. Before I go further, I want to reiterate one very important point: everyone, in every country, is endowed with certain unalienable rights, that among these are life, liberty and the pursuit of a good job.

This book is intended for Americans, and since Americans are competing against outsourced jobs, my focus is on outsourcing from an American competitive perspective.

Everyone, in every country, is endowed with certain unalienable rights, that among these are life, liberty and the pursuit of a good job.

That brings us to the inevitable question: should any American company (or individual, for that matter) *ever* consider outsourcing?

What about buying products made (or even partially made) in other countries? Is buying something other than American an un-American act?

The short answer is yes. And no. Yes, you should consider outsourcing. And no, buying something not made in America is not necessarily un-American.

The world is not black and white. While America makes many wonderful things, so do other countries. Innovation is a human endeavor, not just an American endeavor. Being competitive means making the most of available resources, not limiting the resources we use to those that are politically correct.

"But, wait, hold on," you're saying. "Didn't you spend a big part of this book telling us to buy American, compete against foreign jobs, and all that jazz?"

No, not entirely. What I described was our competitive environment, where we're losing jobs to offshore competitors. I described a proposed policy where the U.S. government should buy from American companies as a way for U.S. taxes to stay in the United States to create and save U.S. jobs.

I never said you, as an individual or company executive, should ever put a policy guideline before your individual success and the success of your company.

Take, for example, the Web. We all rely on it. And while the Internet was originally based on an American strategy for communications robustness in times of nuclear war, the World Wide Web was actually invented by a guy in Switzerland.

Sir Timothy John "Tim" Berners-Lee was born in London and, in the early 1990s, was a contractor working at the *Organisation Européenne pour la Recherche Nucléaire*. Known to most students of Internet history as CERN, for *Conseil Européen pour la Recherche Nucléaire* (which means European Council for Nuclear Research — gotta love Wikipedia!) CERN is a physics lab and particle accelerator.

Sir Tim was working at CERN when he put together a system for physicists from around the world to share physics data. This system eventually became the World Wide Web. For the record, the World Wide Web is a separate beast from the Internet. The Internet is a network of connections between computers. The World Wide Web is an application that runs on top of that network of connections.

So here we have a network of connections originally designed by the U.S. to route around nuclear detonations and a Web of information built by a British guy living in Switzerland. Because the Web was invented in Switzerland by a British citizen and not in the U.S., is it un-American for us Americans to make full use of it?

Heck no.

That's just one example of something not invented here that we all need to make use of. On the other hand, it should be noted that while the Web wasn't invented in America, we sure have managed to grab onto it and squeeze every last drop of value we've been able to out of the thing.

Outsourcing is a reality. The world is getting smaller and there are excellent workers in countries all over the world. When you think about outsourcing, I'm suggesting you factor the changing nature of work into the way you think about your job or your business.

Let's talk turker

It's no longer the case that every individual contributor is going to be an employee of a company. Companies will get work done through a *pastiche* of labor resources, from full-time employees, to part-timers, to contractors working on-site, to contractors working off-site, to contractors working on the other side of the world, and even to individuals who become a subroutine of a computer algorithm.

Huh-wha? Say *what?*

... even to individuals ... who become ... a subroutine of a computer algorithm.

Whazzat?

No, I haven't started babbling and no, I don't think we're all part of the Matrix. Instead, I'm talking about a service offered by Amazon.com called Mechanical Turk that's both fascinating and disturbing. It may foreshadow what work looks more and more like in years to come.

The name "mechanical turk" refers to a chess-playing animatronic device showcased in Europe around the time of America's Revolutionary War. Supposedly, it was a machine that looked like a mannequin dressed in Turkish clothing that was so advanced, it would play chess. In reality, it was a puppet controlled by a human inside and was a hoax perpetrated on the European parlor set.

Mechanical Turk is a fitting name for the Amazon service. In Amazon's case, the humans inside are really people connecting via Internet connections, but they're still "inside" the process. Here's how Amazon describes it:

> *Amazon Mechanical Turk is a marketplace for work that requires human intelligence. The Mechanical Turk service gives businesses access to a diverse, on-demand, scalable workforce and gives workers a selection of thousands of tasks to complete whenever it's convenient.*
>
> *Amazon Mechanical Turk is based on the idea that there are still many things that human beings can do much more effectively than computers, such as identifying objects in a photo or video, performing data de-duplication, transcribing audio recordings, or researching data details. Traditionally, tasks like this have been accomplished by hiring a large temporary workforce (which is time consuming, expensive, and difficult to scale) or have gone undone.*

So far, so good. But what makes this interesting is that individual work tasks, what Amazon calls HITs (for Human Intelligence Tasks) can be built into computer programs.

A computer program is a set of steps (an algorithm) that are performed in some logical sequence. Often, because the number of individual steps can number in the millions, segments of computer code are grouped together into what are called functions, routines, or subroutines. Think of these as individual components.

Most of these subroutines are built out of computer code, but what if you wanted to, say, analyze a photograph to determine if it contained a picture of a child or a shoe?

Take it from a computer scientist. That level of image recognition is *hard* to program. Very, very, *very* hard. It could take years to build an artificial intelligence program to do that, and it might still be only marginally accurate.

On the other hand, almost any human can tell a child from a shoe instantly.

So, imagine you wrote your computer program up to the point where it had loaded up an image and needed to decide if the image is a picture of a shoe. You'd then have to write the *isShoe()* subroutine. On one hand, you could spend the next few years and millions of dollars to build the image recognition code to fill out *isShoe()*.

On the other hand, you could have a human live inside that subroutine, and in a second, click the Shoe button or the Not-a-Shoe button and let your code continue on. That's what Amazon's Mechanical Turk does. It provides the human "back end" to subroutines like *isShoe()*.

Thousands of people log into the Mechanical Turk site every day. They sit in front of their TVs, or at their desks, or wherever they happen to be. They choose a project, like the Is-Shoe project, and tell Mechanical Turk they're ready. A Web page pops up with a picture. The worker then clicks the Shoe button or the Not-a-Shoe button.

Doing so earns the worker a penny or two. She does it again. Another penny is earned. And again. Another penny. And again and again and again and a penny and a penny and a penny — until such time as the worker gets bored, or wants to go to sleep, or have some ice cream, or until such time as all the pictures have been identified.

This is how Mechanical Turk works. The program you wrote gets to the *isShoe()* routine and through something called an API (Application Programming Interface), it asks Mechanical Turk to find it a worker to evaluate the picture. Once the worker clicks Shoe or Not-a-Shoe, the program continues, but now the variable *$confirmShoe* contains either TRUE (for a shoe) or FALSE (for not-a-shoe).

Instead of taking years to program and millions of dollars, this call into the Mechanical Turk API probably took less than a week to code and all the pennies spent on turkers probably amounted to less than 0.01% of what it would have cost to code wildly complex image recognition software.

The shoe company Zappos (which, incidentally, has recently been bought by Amazon) uses turkers who evaluate comment postings on its Web site for appropriateness. A company called CastingWords.com uses turkers who transcribe audio clips. Another company, SkyPromote, pays turkers five cents a listing to catalog Web sites. PriceGrabber.com uses turkers to match product images to product names.

It seems like a sweatshop, with one very big difference. Individual workers are *theoretically* in complete control of what work they take, how long they work, when and where they work, and even how much they get paid. If you only want to work for 10 minutes while waiting for your TV dinner, you can log into Mechanical Turk and make three bucks while clicking on one-penny hits. If you don't want to do any more, you don't have to.

At least that's the theory. Amazon doesn't oversee the workers doing the work. While you might have complete control over whether you turk or not, a parent could force a child to sit and click for hours, or a real sweatshop could be set up, forcing involuntary workers to click away. The Mechanical Turk system is fascinating, but the lack of oversight does open the door to abuse.

Clearly, there are only certain kinds of projects that lend themselves to Mechanical Turk-style outsourcing. Like outsourcing to China and India, and H-1B visa "in-sourcing" of foreign nationals to work in America, the sort of crowd-sourcing used by Mechanical Turk shows us just how the world of work is changing.

If you're an employer or business owner, these may be options you need to explore to remain competitive. If you're an out-of-work individual with hours and hours of time on your hands and a computer with an Internet connection, a click on over to Mturk.com might be worthwhile. While you might not make you your month's rent, but you could earn some grocery money while watching *A-Team* reruns at 3am.

After all, if you'd be willing to spend four hours grinding, killing imaginary zebras in World of Warcraft so you can make it to level 80, perhaps you'd instead be willing to spend the same four hours clicking shoe pictures and make a few spare bucks at the same time.

It's no replacement for a job, but it might just pay for those TV dinners.

CHAPTER 26

Revitalizing your products and services

A classic rookie mistake is jumping from product offering to product offering or service offering to service offering — without first making sure you've gotten the most out of the products and services you already offer.

Earlier, in Chapter 23, we discussed how much easier it is to sell to existing customers than find and convert new ones. The same holds true for products and services. It's far easier to nurture an existing product or service than develop and bring a new one to market. If you're an individual, keep reading. I'll show how this concept applies to you in a minute.

Any product or service takes a lot of work to get established. Obviously, it's different for each business. One business may have invested in physical assets like production machinery and another may have invested in years of R&D. One business may have spent years honing its menu so that the freshest food can be delivered to patrons as quickly and efficiently as possible, and another may have honed just the right free offerings to overcome advertising sales objections.

The point is, it takes a lot to make a business model work, and once you've done the work, don't toss all that work out in favor of the next, new thing. That next new thing is going to cost you a *lot* to develop and take *far* longer to make happen than even your most conservative estimates.

A new business area requires not just the original development required to get started, it often requires a great deal of time, effort, and iteration to refine the offering and perfect it.

That's not to say that new business opportunities aren't appealing, especially in a changing economy, but new business is always a longer shot than you think. That's why, before you dump old business operations, you should make sure you wring every last bit of fuel out of them before you move on.

Getting the most out of your current resume

This get-the-most-out-of-what-you've-got approach works for individuals as well. You may be in something of a dead-end job (or in no job at all), but before you decide you want to take the next three years to become a pastry chef, it might be a good idea to see if there's any way you can tap into your current strengths to maximize your income now.

Have you called all your former coworkers? Have you called all your former employer's customers, those with whom you established a pleasant level of rapport? Have you called the suppliers your former employer bought goods and services from?

Have you looked for related jobs that use some of your existing skills? For example, if you're an electrician who's out of work because the construction market is moribund, you might try looking for gigs as a facilities manager or a car stereo installer. If you're a recently discharged Marine infantry weapons officer, look for gigs in security, and make sure you contact weapons manufacturers and even local gun shops. You might land a gig as a weaponry consultant, or at the very least, someone who can teach newbies how to shoot at paper targets.

I'm not saying you shouldn't better yourself or get a degree. But if you're just starting your studies, it'll take years for you to earn a degree and get a good job, and you need to maximize what you've currently got if you want to keep food on the table and gas in the car.

Even if you still want to go back to school or get into a different business, at least you have a way of making an income while you're studying or in transition.

Where to look for opportunities

Assuming you've mined your existing offerings for everything they have to offer, where do you look for new opportunities? This is where knowing your strengths becomes invaluable.

Strengths are your stepping stones into new markets and new opportunities. They're your foundation. They give you a powerful starting point, enabling you to leverage skills, resources, and assets you already have so that you don't have to start from a completely blank slate.

Revitalizing your product line

To your customers, you're only as good as your current offerings. To them, your company doesn't have manufacturing processes, a sales compensation program, an advertising agency, a positioning strategy, or even a 401(k) plan.

To customers, your company is your products and your services. Sell high-quality, reliable, interesting products at a good price and you've got a viable business. Provide valuable services with knowledge, compassion, and professionalism without overcharging, and you've got something that'll make you money.

We typically characterize what businesses sell as either products or services. A product tends to come in a box, has a tangible, physical existence, and a somewhat fixed price.

A service is provided by one human to another or one organization to another. It's typically intangible in that you can't take what you buy and put it into a car trunk, and often has a time-based price structure.

In short, a product is something you build, and a service is a set of tasks you perform for another.

Here are some good ideas to keep in mind:

- What you sell to customers can be products, services, or hybrid combinations of both. If you're an individual looking for a job, you're generally marketing your services.
- Services often seem more tangible and real (and therefore more valuable) when packaged as a product (e.g., given a name, a price, a descriptive Web page).
- Product purchases often seem "safer" when backed up by high-quality service. Of course, you can't just claim high quality. You've got to build a base of loyal, happy customers who refer others to you.

For the rest of this chapter, I'm going to refer to both products and services mostly as products, since I want to encourage you to "productize" services.

Evaluating products and product lines

Since it's your products that customers trade money for, your products must come under initial and intense scrutiny when considering change. If your products aren't up to snuff (or if they're no longer relevant in a changing market), customers will lose interest.

Poor products are often leading indicators of failings in the rest of your organization. For example, in the 1970s and early 1980s, Detroit's reputation for quality automobile manufacturing was virtually nonexistent. The poorly built cars were indicators of more serious problems within the automakers: poor competitive awareness, poor quality control, poor vehicle design (bad engineering), and a disregard for the power of the consumer.

Eventually, severe loss of market share convinced them to make improvements. It was almost too late. As we've seen from the bankruptcies of GM and Chrysler in 2009, two of the Big Three car companies didn't learn from their own history.

Hopefully, the newly reorganized companies will pay better attention and build better and more compelling vehicles. Unfortunately, that might not be the case.

In June 2009, I wrote an article for CNN entitled, "Detroit, Pimp my Ride." You can read it in the appendix. Chrysler, along with GM, had serious problems in the Great Recession of 2009. Actively encouraged by the U.S. government, Chrysler effectively merged with Fiat and then, well, here's what I wrote:

> *Chrysler still makes hot cars. One of its hottest is the failure known as the Dodge Viper. So far this year, Chrysler's sold a little under 300 of them. Total. This 600-horsepower, V10-powered bad boy gets barely 16 miles to the gallon with a tailwind and costs more than $90,000 — and this is the first car that the management at the new Fiat/Chrysler have decided to put back on the road.*

Talk about missing the point!

Investing in your products

Products require considerable investment even after they've been designed and placed into manufacturing. Most physical products require some or all of the following:

- Technical and customer support personnel
- Documentation
- Regularly revised marketing literature and advertisements
- Manufacturing share of factory
- Warehouse floor space
- Upgrade and revision by engineering staff
- Slotting fees or other costs of sales directly related to the products
- Purchasing, receiving, and materials control staff
- Computing resources
- Opportunity cost (resources used on one product that might be better used on another)
- Ongoing, repeated, continual investment

With all these cost generators, it is absolutely essential that you invest only in the right properties. There are only three good reasons for a product to exist:

- It's making a considerable profit.
- It has a clear, viable, not-fantasy-world potential of making a profit in the future.
- It fills a critical hole in a product line that would cause customer defection from higher-profit products to your competitors.

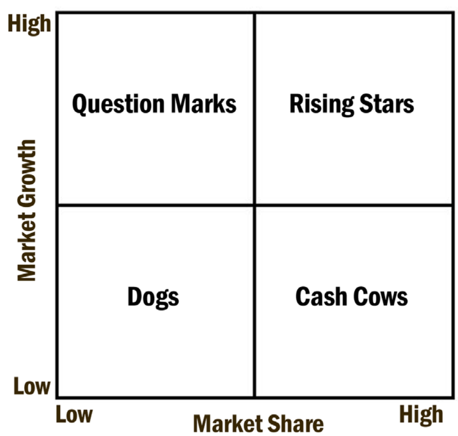
You wouldn't believe all the rationalizations I've heard (and occasionally used myself) for keeping products in a product line. The following table lists some of my favorite rationalizations, and related responses:

Rationalization	Response
"But it's the only product we have."	So what? It's losing money. Get another product (preferably a few) or consider polishing your resume.
"It's a popular product. We've sold a lot."	But is it making money? If not, it doesn't matter if it's popular. You're throwing money away. Stop it.
"It's got a great reputation."	Again, is it making money? Is it selling well? If not, then clearly, reputation isn't helping. Fix it or dump it.
"It's a sacred cow" (Variation: "Oh, we never muck with this product.")	Why not?
"It's holding an important market segment open."	For how long? Why should you invest for years in a product that's just bleeding capital? And yes, this applies to governments and wars as much as business units and products.
"But it's preserving shelf space until we get product X (under development) ready to ship."	If-and only if-product X is going to be ready in a predictable, measurable and credible period of time, this rationalization occasionally is valid. But make sure you get the new product out and you compare investment costs in keeping the old dinosaur alive vs. forcing a new product back onto the shelf.
"At least it's paying for its costs (breaking even)."	Are you sure? Have you factored in all the costs? And do you really need a hobby-because we're in business to generate a profit, not just break even

.

The growth-share matrix

Here's another, more strategic way to look at product viability. Draw a chart like the one shown here:



Market Share tells us how strong a player the product is in its market segment. *Market Growth* tells us how fast the market segment itself is growing.

“Dogs” are products that live in a market environment that isn’t growing and that offers minimal market share. These products should be jettisoned as quickly as possible. They’re not doing all that well now and there’s limited hope for them in the future.

Earlier, I mentioned keeping products rather than getting new ones, but this is not a contradiction. Keep good products, but products with no potential for growth or revenue won’t do you any good. That’s why analysis and the growth-share matrix can really help.

“Cash cows” are products that have a large share of a slow-growing market. Because the market shows little growth, the overall opportunity isn’t going to get much larger. But if your cash cows hold their high share in their relatively low-growth market, you should be able to extract dollars from them for a good long time. Consider them to be an annuity. Invest only enough to make sure you sustain your market share.

“Rising stars” are products that have a large share of a rapidly growing market. These are where you’re most likely to make the biggest bucks and where your biggest investments should be. But be forewarned: being a winner in this quadrant makes you a target. Be very aware of your competitors.

“Question marks” are products that have a smaller share of a high-growth market. Is the segment big enough to support multiple players? How strong is the competition? Is it worth the investment to fight for market share? Will you get a return on your investment? Products in this segment raise many questions. They have the potential for being winners, but they could also be a serious money sink. Watch them carefully.

Expanding your product line

If your organization is like most, you'll already have crossed off a couple of obvious dog products. After going through this voluntary purging process, you might feel a bit bummed, especially if one or more of the dogs were old favorites.

You'll probably also feel a great deal of satisfaction because you've gotten rid of corporate cancer cells. You'll now have more resources to devote to your winning products, which should help make them even more successful.

Eliminating poor products isn't the only action you should take. You should also regularly consider adding new products to your product line. Consider these two tips:

- If you're in viable market segments, add products to your current product lines.
- If you're in questionable or declining market segments, consider starting new product lines or opening new markets.

Acquisition techniques

Generally, you add products in one of two ways: create them yourself or get them from someone else. Adding products by creating them entirely in-house often requires considerable investment, resources, time, and skill.

In technology-intensive businesses like software, it means funding engineering staff, and often art and design staff, as well as having the technical creativity and engineering ability to create something new and exciting.

Yet, the paradox is often that just when you need new products:

- You can't afford to fund internal staff.

- You can't figure out how to design a new piece of technology.
- You realize you must complete the entire development cycle (often a year or more) before a product will be ready to ship.

This is particularly the case if you're starting a new business. You're going to need to have offerings to sell, but most new entrepreneurs often don't have the war chest (or time) to build new products from scratch.

Often, the best choice is to look outside the organization for products. There are some tangible benefits to avoiding NIH (not-in-house) disease and looking outside your walls for products:

- You can get products that are ready or nearly ready to ship now.
- You don't have to pay salaries to product developers for that oh-so-long period of time before you can ship that first unit.
- You can gain access to products outside your current markets or area of design expertise.
- You can acquire products that have a different style or approach than your own — adding new blood, new perspectives, and often appealing to different audiences.
- You can get products that are either already proven in terms of sales, or at least already proven in terms of "will it work?"
- And, often, you can get products for absolutely, totally FREE!

That's right. It's amazing, but true. Sometimes, instead of paying salaries for lots of designers, you can get products for absolutely no up-front money.

The art of the free product

Back when I first started my first company, I had no real choice. I needed new products (any products) to have something (anything) to sell, and I couldn't afford to pay anything for them.

Buying just wasn't an option. I didn't have outside investors bankrolling the business. I just had a few months of savings in my bank account. If I was going to come up with products, I had to be creative.

In those first months, I pitched a lot of different companies and individual engineers. If the selling person or company insisted on an up-front payment, I had to move on to the next opportunity. And move on I did. A lot.

To be successful at product acquisition you need to know three secrets, three amazingly simple, all-powerful secrets to opening the doors to almost limitless product acquisition opportunities.

Here they are:

- Many people with products want to find you as badly as you want to find them.
- They're often as desperate (sometimes more so) to find someone to sell their product as you are to find the product.
- There's a heck of a lot of people with great, unsold products out there just waiting for you to call.

Let's look at each secret in turn.

Secret #1 - The people with products want to find you as badly as you want to find them.

Different people and different companies have different talents. Some companies may have great sales and marketing abilities. On the other hand, there may be spectacular engineers without even a clue how to bring a product to market. These people need you as much as you need them.

Remember my story in Chapter 15 of the video software I acquired when I thought I was going to go beg for work? That was a company with a lot more resources than I had, but they didn't think of themselves as able to do any form of marketing. They were willing to license me their creation with no up-front payment.

Secret #2 - They're as desperate (often more so) to find a marketer as you are to find the product.

The reality is that many organizations are looking for marketing help. There are even more individuals with exceptional talent, but without the chops to reach customers. These folks may have the ability to create a product, but they don't have the ability, resources, or desire to market and sell the products they've sweated over creating.

I found that software developers fit this pattern perfectly. In the early days of the PC business, almost anyone could buy a powerful PC and anyone with talent could build a small, saleable software program, but very few software developers had the operational skills (sales, marketing, direct mail, fulfillment, licensing, production, packaging, support) to bring a product to market.

To some extent, the Internet has changed this. Back in the 1980s, there was virtually no way for a software developer to distribute a product without some sort of sales team. Now, listing a product online, opening an online store, or posting it to a shareware site, eBay, or Craigslist can keep a programmer in pizza for years.

That said, even though the Internet democratizes distribution, many developers just don't have marketing talent. They may be able to post their work online, but they may not be able to make it look good, they may not be willing to make sales calls, and they might not be willing (or able) to position it properly or support it fully.

Here are some other obvious (and less than obvious) categories where there are lots of product creators just dying for a marketer:

- Writers (magazine, novel, nonfiction book, technical, etc.)
- Musicians (many are just dying to get signed to produce an album).
- Inventors (of all sorts of product ideas)
- Contract manufacturers (companies that have products that "just happened" as the result of a job-shop manufacturing contract)
- Offshore manufacturers (lots of Malaysian, Taiwanese, Chinese, and even former Communist bloc manufacturers are seeking distribution)
- Architects (there are tons of reusable building plans out there
- Integrated circuit chip designers (with the advent of PC-based CAD systems, almost any good engineer can design a chip)
- And lots more …

Here's a very interesting bit of turn-about, especially considering our discussion about China and India earlier in this book. Manufacturers are springing up everywhere in both China and India, as well as in other nations worldwide.

Most of them want to reach American consumers.

While many have excellent production facilities, they have trouble reaching and connecting with American consumers. There's often both a language barrier and a cultural barrier.

For you, though, there's an opportunity. Consider reaching out to offshore manufacturers, localizing and repackaging their goods for American consumers.

Secret #3 - A heck of a lot of people with great, unsold products are out there just waiting for you to call.

A pyramid effect occurs because there are fewer positions at the top than there are at the bottom. In most organizations, there's usually room for only one CEO, a few VPs, a bunch of managers, and a very large number of individual contributors.

Likewise, there are a lot more individual product creators out there than there are companies to bring the products to market. Unquestionably, there are tons of products out there. You just have to look for them.

How to find product creators

By now, you've learned that there are lots of products out there. How do you find them? If you want to find a product creator, you've got to think like a product creator. Get your message to them where they'd see it. Here's some ideas:

- Sell your current products. I've gotten many of my best products because a developer saw one product on the market and asked if we'd be interested at looking at other products.
- Tell everyone you meet who's even remotely connected to product creators that you're looking.
- Put notices on your Web site and in your product documentation.
- Network by attending user-group or professional society meetings.
- Buy an ad in a trade publication.
- Talk to companies who supply product creators.

How to structure the deal

When I talk about free products, I'm not suggesting that you pay nothing, ever, to the product creator. This wouldn't be fair and it wouldn't be good business for you.

Rather, the idea is you don't have to pay anything up-front for product acquisition. You *will* need to fairly compensate the creator.

I always recommend structuring these as royalty deals. I prefer a simple percentage of gross sales (say 5% to 15% of the amount received). I then generally subtract from this the real costs of marketing (advertising, packaging, etc.) plus manufacturing before computing a royalty.

Let's assume you have a product with a suggested retail price (SRP) of $100. You sell it to a dealer for $50. The cost of goods is $15, and you've figured out that marketing costs attributable to the individual sale are another $10. This leaves the adjusted gross revenue as $25 ($50 - $15 - $10). If you pay a 10% royalty on the adjusted gross, you'd pay $2.50 to the product creator.

Free product pitfalls

While acquiring products for free is a great way to grow a company and be flexible, there are some pitfalls to be aware of.

Loss of control

You don't own the developers. New versions, fixes, upgrades, and so forth are dependent on the developer. Don't assume that just because you've got a contract, you'll get upgrades on time.

Limited share of mind

If you're only paying a small royalty that doesn't fully support the developer's time, you must be aware that the product creator's highest priority will not always be your product (or your customers). This could lead to potential customer dissatisfaction that you might not be able to easily fix.

Choice of second- or third-tier products only

You're never really going to be able to get the very best products for free. The best products are rare commodities and other companies are often willing to pay handsomely for the privilege of marketing these products.

Cost of time

You'll rarely find that a product you acquire from a creator is ready to go to market immediately. You'll need to provide feature input, packaging, positioning, marketing, and an occasional kick in the pants.

Inconsistent product presentation

Because your products come from different sources, they may not be completely consistent in terms of look, feel, and usage. The result is that your product line may look a bit fragmented.

Increased cost of goods (COGS)

Granted, you're not paying for development (which could be amortized in budget across the life of the product). You will be paying a royalty, which definitely will increase your COGS by some percentage.

Remarketing others' products

A variation on the theme of product acquisition is the remarketing of pre-existing products from other companies. Some enterprises make remarketing their entire business: stores, dealers, distributors, mail-order catalog suppliers, and the like.

Even if you're primarily a product manufacturer or primary service provider, you can flesh out your product line with other people's products. Apple, for example, has become America's largest music retailer simply by remarketing others' music through iTunes.

Generally, remarketed products differ from traditional acquired products in being truly ready-for-market. They're packaged, finished, and already shipping to customers. This isn't to say remarketed products are without flaws. Nothing could be further from the truth. Remarketed products are available for you to sell "as-is" or by adding value.

More ideas

Here are some other things you can do to transform your product offerings:

Reposition products

Consider taking an existing product and positioning it differently, with either a new audience or a new benefit.

Branding issues

If you're fortunate enough to have created a branded product, make use of it as an asset. Always be conscious of the value of a brand itself, separate from the return on product investment.

Brand extensions

Brand extensions are great ways to expand your customer base from a central starting point. But beware of damaging the brand. For example, A&W always meant "root beer." In fact, A&W was just about the only brand associated with root beer. Yet, when A&W (the company) extended A&W (the brand) to cream soda, they initially damaged the market-dominating power of the brand.

It took them a couple of decades for the brand extension to fully infiltrate the public consciousness and still, to this day, A&W is better known for root beer. In fact, if you go to RootBeer.com, you're going to the A&W Web site.

Market extension

Never forget to look for other audiences who might need your product.

Alternate uses

Try finding new things you can do with an existing product and see if that opens new doors. For instance, I have this great non-electric heating pad (actually a tube) that you put into the microwave, zap, and it stays warm and cozy for about an hour. It's great for sore backs and necks.

It was on the market for years before someone thought of marketing it as a wrist-rest for typing at a keyboard. Nice alternate use benefit.

Upgrade marketing

Consider turning a one-time sale type of product into a continuing annuity by offering regular upgrades or even a subscription to new releases. While this practice has been common with software, where a new version is released every six months to a year (and can be purchased for a fraction of the original price), industries as unexpected as automobiles are getting into the act.

At least one company, Ford, experimented with a program to literally turn customers into subscription buyers. Ford offered a 10-year lease, where every two years, as part of the term of your lease, you'd just drop off your old car and pick up a new one.

Granted, you can get out of closed-end leases without Ford's program, but this was the first I've seen designed to generate upgrade business for at least four upgrades. The program doesn't appear to have lasted, at least as an offer for the general public, but it was an innovative idea.

Cross-selling

Don't forget to sell and market related products together. A good place to consider cross-selling is a service program on the purchase of a product.

Take control of your products

Unlike the stock market, the economy, your investors, your vendors, and your customers, you can control your products to a substantial degree. Tweaking product strategy and tactics, dumping a few bad products and adding a few potential winners can be a great first step. You'll often get disproportionately more out of the effort than you put in.

CHAPTER 27

Always give your customers more than they expect

Welcome to the last of our tips chapters. It's fitting, given that we've pretty much reached the end of the book, that we should talk about leaving your customers with more than they expect. This may seem like a simple aphorism, but it can be a very powerful tool, especially in a changing economy.

There's one key secret to giving customers more than they expect: make *sure* they know they're getting it.

You always want to deliver quality to your customers. Giving customers more than they expect is a great way to make sure they feel they've both gotten good quality from you, and their money's worth. The fact is, customers (and, in fact, all of us) don't always realize or notice what we're getting for our money. It's not that customers don't care, it's just that there's so much going on that sometimes the individual details escape notice.

You may have worked extra hard on a project, maybe even spent an extra day or so making sure that custom video you produced looked just perfect. Maybe you didn't charge the customer for the extra time you spent, or for that really slick, animated background that took you an extra four hours to create.

Don’t expect your customer will notice it. Perhaps she’ll just assume animated backgrounds come with all videos. Perhaps she won’t realize just how much work she really asked for.

That’s why it’s important to point it out. Be careful, for this takes some degree of finesse. You want your customer to appreciate she got extra value, but you don’t want her to think you’re hinting at or lobbying for some extra cash.

Customers appreciate hearing phrases like “We really value your business, so we decided to give you something extra,” or “We really enjoy working with you, so we threw in this doodad as a bonus,” or “You’ve been so accommodating to our needs, we wanted to show you how much we care, so we added this sweet whiz-bang feature for you.”

That’s the key. If you’re going to give your customers more than they expect, make sure they feel you cherish the relationship and that you’re giving them more — not out of fear, and not out of a misguided attempt to curry favor, but because you really do value doing a good job.

This, of course, also applies to individuals, whether you’re a contractor or an employee — especially if you’re an employee. This is a great time to make sure your employer knows you’re giving your all to your job.

Remember how we talked about attitude earlier in the book? I told you about that Quiznos franchise that lost customers and eventually closed, in large part because the front-line employees were so unpleasant to deal with. The better service you provide, not only the better will your boss feel about you, but also the better you’ll be serving your company — and the better you’ll be preserving your chances to keep your job.

Bonus tips

Since we're on the topic of always giving your customers more than they expect and making sure they know they're getting it, I'm going to give you more than you expect as well. Here comes the first of five bonus tips.

Bonus tip #1 - Be extra flexible, but not at the expense of your fundamentals

Always do your best to be extra flexible and accommodating, but not at the expense of your fundamentals.

Customers always appreciate working with flexible suppliers. If you don't have to be difficult about a particular issue, don't be. You want to do your best to reduce the friction in the relationship and make it as easy as possible for your customer to work with you.

The last thing you want is for a customer to groan when they think of working with you, because doing so is such a hassle. Instead, you want them to look forward to interactions with you, because you make their life easier.

But not at the expense of your fundamentals.

This is important. You want to be flexible, but don't let yourself be manipulated into poor decisions. Every business has some key fundamental ways of doing business, techniques and approaches that really define how they do business and reflect lessons learned over years of experience.

I'll tell you one of my fundamentals and you'll see what I mean. I learned my lesson on two separate occasions, with two separate businesses, and since then, I've had a fundamental rule: get payment up-front.

Many businesses conduct business on a net-terms basis. They'll provide a service or ship a product, and get paid 30, 45, or even 90-days later. For some percentage of the work done, they won't get paid at all.

I had this happen to my small businesses on two separate occasions, both many, many years ago. The first time, my company was providing products and services to a very large company. We had nearly the entire payroll devoted to providing work product to our client. We normally billed them, and about 45-days later, they normally paid.

Then, one day, they didn't.

America was in the midst of a small recession and our customer's quarterly numbers weren't looking as good as they wanted them to look. So they chose to stop paying all their smaller vendors for at least six months. It nearly put us out of business.

The second time, a software company I owned had sold a series of licenses along with some custom development to a promising, venture-funded company. They owed us $18,000 and we had good reason to expect payment.

It turns out their company wasn't doing as well as they represented, and the venture capitalists funding the company decided they weren't going to deliver the next tranche of money to the company. We hadn't been paid for our work. Now we never would be.

I decided that all sales to customers would be paid for up-front. Since then, I've never had to question whether we'd be left holding the bag for the work we perform, because we're always prepaid for our efforts. In fact, by being paid up-front, we want to give even more to our customers, because we knew our work is paid for and there's no payment risk.

Yes, we've lost a few deals to prospects who didn't want to prepay. We've only lost a few over the space of a few decades, and we probably lost less business to those lost opportunities than we would have if we hadn't been paid on some of our contracts.

There's one other benefit: once a customer pays up-front, they're far more committed to deriving full value out of what they buy, and they're much more willing to stay on schedule and meet milestones.

Bonus tip #2 - Focus on opportunities

Be aware of what you're focusing on — and focus on opportunities, not doom.

In Chapter 18, we talked about managing yourself and staying calm. In fact, I advised you to make staying calm a priority. This is particularly important in tougher economic times, but there's never really any good, healthy excuse for losing your cool.

There's something else you can do on an emotional front that can substantially increase your success: choose what you focus on.

The human brain has a strange little internal system called the Reticular Activating System, located in the cerebellum of the brain. The cerebellum, also called the "little brain" (no, not *that* little brain — get your mind out of the gutter!) is thought to be the key region of the brain that integrates sensory perception and motor control.

Some scientists believe the cerebellum has a mechanism for learning, because in order to fine-tune motor control, learning needs to take place. The Reticular Activating System is thought to relate to both the sleep/wake cycle and human arousal. Some scientists believe the RAS has a role in attention deficit disorder, and others believe the RAS is responsible for filtering information.

According to *A Flexible Intelligent Associative Knowledge Structure of Reticular Activating System: Positive/Negative Masking,* by JeongYon Shim of the Kangnam University in South Korea (published by Springer-Verlag), the Reticular Activating System "...takes charge of information selection."

It's a long paper, but the basic premise is that the RAS is what the brain uses to select out what we notice from all the stimulus we experience each day.

The thing is, we can't actually notice or process everything that flows by us each day. So we only observe certain things. Here's a phenomenon most of us have experienced. Have you ever noticed that when you're shopping for a certain model of car, all of a sudden you notice cars of that model just about everywhere, but before you started to shop, you didn't notice them at all?

Yeah, we all have. That's the Reticular Activating System in action. It helps you decide what you're going to notice out of all that information that flows by.

Once you're aware that this is how your brain works, you can take advantage of it. You can train your brain to notice what you want it to notice. That's where our bonus tip comes in. Instead of training your brain to notice only bad things, start to train your brain to notice opportunities.

After a while, you'll notice more opportunities. If you notice more opportunities, you can act on more opportunities — a cycle that just gets better and better the more you practice.

Bonus tip #3 - Don't be afraid to experiment

In Chapter 26, we discussed how important it is to derive as much value as possible from your existing products and services. After all, it's very costly to add new offerings. It can also be quite costly and time consuming to get good at the new things you offer.

But doing the same thing over and over again can also lead to stagnation. So don't be afraid to experiment. Try new business opportunities, try new offers, experiment with going into new areas of business, explore new product lines.

Google, one of the world's most successful companies, is famous for this. All Google engineers have what the company calls "20-percent time". The idea is that Google engineers can spend one day a week (or 20% of their time), working on whatever project happens to strike their fancy.

You might think that this is a huge waste of time, but it's resulted in tremendous competitive advantages for the company. For example, Gmail (one of the world's leading email services), Google News, and AdSense (their advertising platform and source for billions of dollars in revenue) all originated as "20-percent time" projects.

In a May 17, 2006 talk to the *MS&E 472 Course: Entrepreneurial Thought Leaders Seminar Series* at Stanford University, Google Vice President of Search Product and User Experience Marissa Mayer estimated that fully half of all Google's new product and service launches came from the these experimental employee projects.

Experimenting works equally well for individuals. Remember my buddy who used to install auto stereos for a living? He spent a good percentage of each day upside down, on his back, under car dashboards. That might be fun when you're 20, but by the time you hit your late 30s and 40s, it can get old real quick.

At night, though, my buddy played PC-based video games. He loved those video games, but to get the most out of them he had to learn how to tweak out his PC. He had to learn how to get the best performance from the graphics card, how to maximize disk performance so the games loaded faster, and, for certain games, he had to completely rebuild his PC so the game would play smoothly.

He was learning to maintain PCs during his off-time. After a few years of this, he realized he had a marketable skill. He switched from working under car dashboards to working with PCs. He became an IT director for a hospital, and then a very popular and exclusive private school. His experimental time opened up new doors and new opportunities.

Don't be afraid to experiment. You never know what exciting new opportunities will open up to you.

Bonus tip #4 - Strategic acquisition

Over the past few chapters, I've spotlighted two themes: how get rid of your dead wood and how you can get products for free. Dump stuff and get stuff. Get stuff and dump stuff. After a while, it's probably pretty confusing. Should you add to your collection of products and services or should you dispose of your old crap?

Yes. Yes, you should. Both.

In our modern business environment, you're going to need to constantly tune. That means constantly re-evaluating what you're offering (and even the pile of stuff you're storing in the garage). It also means adding new items that give you an advantage while, at the same time, getting rid of all that junk that's holding you back.

In a down economy, people tend to hoard more than they do in an up economy. What if you'll need it? It might be expensive. You might not be able to find it. You might not be able to afford it again.

Nonsense. If the object (or product or service) you have isn't pulling its weight, it's a drain. Free up your resources so you can respond to opportunities, not lug around old has-beens in case you might, someday, find a need for them.

Once you've freed up your resources, you can respond to opportunities. One area where opportunity tends to knock (especially in a down economy) is the potential for acquisition.

After all, when there's a buyer's market, it's a good time to be buying. Not only will you have the opportunity to acquire interesting products, but you also might be able to hire key contributors that would otherwise be out of your reach.

A good example of this is the changing world of journalism opportunities. Highly experienced journalists with great skills and great connections are finding themselves losing jobs as their newspapers and old-media companies are struggling in a new media, Internet-powered world.

Some of these highly skilled writers would have never been available for smaller startups, except for the fact that now, they need jobs. If you run a new media startup, now you have the chance to get exceptional talent that in a better market might never have paid attention to anyone new.

Interestingly, the same can be true of customers. That's right. You can strategically acquire new customers during a down market as well. I know that's counter-intuitive, because you'd think that companies spend less during a down economy — and there's truth to that.

Companies also look for new ways of doing things. First, some of your competitors might suddenly be out of business. If their cost of doing business hasn't adjusted to a tighter market, they may be unable to sustain their cost structure. If a cherished supplier is no longer in the game, that might open an opportunity for you.

Prospects are also looking for new and innovative ways to get more and more done with less and less. If you offer a more competitive option, prospects that might have never looked outside their comfort zone will now entertain all sorts of new approaches — as long as it helps their bottom line.

Individuals shouldn't overlook the opportunities for strategic acquisition, either. The housing crisis offers a good example of this opportunity. As housing prices drop to more reasonable levels, homes that were previously out of reach are suddenly more affordable. Of course, there are also more scams out there, so you need to be careful. But there are good deals to be gotten.

Bonus tip #5 - Don't be a jerk

Let's wrap up our series of bonus tips with the most important: don't be a jerk. I know this seems simple, but it's not as obvious as you might think.

For whatever reason, some people are uncool. The more stressed everyone becomes, the less cool many people get. Some people often look for an excuse to not be helpful when they're stressed out, so if you're something of a jerk, you can give them an excuse to not help you.

Instead, help others help you. By being cool and by not being a jerk, you'll have a much better chance of getting your way, you'll have a lot less stress in your life, and you'll actually have a lot more fun as well.

It's an insanely simple and obvious tip and yet it's surprising just how many people insist on being difficult. Do your best to be cool and everything will run more smoothly for you.

CHAPTER 28

Tomorrow's action items

Congratulations. You've just about finished reading *How To Save Jobs*.

You've learned about all the factors that contributed to America's current job situation, from some of our own strategic mistakes, to the growth and modernization of other countries.

You've learned about some of the ways America can change, some programs and policy initiatives we can work towards to change the country, help create the 20-30 million jobs we're going to need to create, and improve America's health, effectiveness, and competitiveness into the future.

You've learned about ways you can get started right away improving your company, your life, and your job prospects. You've learned major tips and techniques, things real people and real companies can do right now to help keep and create jobs — without waiting for anyone in Washington to get it right.

So, what now? What should you do right now (or, at the very latest, tomorrow morning)? There's no need to wait for politicians, business leaders, or even your boss to get his or her act together. Here's a list of actions that will get you started right now.

Do some kind of exercise for 15 minutes

It doesn't really matter what, but pick something and do it. I do arm and leg stretches when I get up, while I wait for my coffee to brew. I reluctantly walk on the treadmill for 15 or 20 minutes.

I like to lift weights. I have a weight room in the house, but you don't need to dedicate a room to begin to do exercise. Get yourself a Wii Fit balance board. Or invest in a simple pair of dumbbells. Wal-Mart sells an adjustable set for under $60, and you can buy a simple pair of weights for about $20.

Write down your cash, bank, and bills

Do you know where you stand financially, right now? Do you know how much cash you have? How much you have in the bank? Do you know your bills, and who you owe money to?

If you do, that's great. But if you don't, this could be one of the most important half-hour activities you can do for yourself.

Make a list of out-of-control procedures

What's not working for you? You don't have to solve everything today, but a good way to get started is to make a list. You can probably list five or ten items in five or ten minutes, and even if you tackle just one of them over the next week, you'll make your life easier and improve your chances to be successful.

Brainstorm (and write down) possible fixes

Now that you have a list of out-of-control procedures, brainstorm ways you can fix them. Take 15 minutes or so to make a list of ideas. Make sure you write down the ideas. Nothing sucks more than coming up with a great idea in the heat of enthusiasm and then forgetting it the next morning.

Create a "pending" folder

You can do this in the "To-Do" area of your email program, but I recommend using a real, live, old-school manila folder. Mine is red, so it stands out. Put things into it that require future action. Then, at least once a week, go through the folder and take some action.

Schedule a dumpster day

Pick a day in the next two weeks, write it into your calendar, and commit to spending at least two hours throwing things out. I recommend making a day of it, because you'll get a lot done and it can be a lot of fun. Dress down, order some pizza, and make a day of it.

There's nothing more satisfying than that trip to the Goodwill to drop off discarded books, clothing, and gear that someone else might be able to use. There's something satisfying about seeing a full dumpster, weighed down with all the trash that used to weigh you, your home, and your business down.

Do a gut-check quality check

Here's another list to make. Make a list of all the services you provide, the products you offer, or even the tasks you do for your employer. Now, rate each A, B, or C. A means you're providing great quality. B means you're getting by, but could improve. And C means crap.

You need to do this really, really honestly. This is not a list you have to publish or share. It's a list that will show you where your quality is leaking, where you're going to lose customers, lose business, and possibly lose your job.

Fixing quality can go a long way to making you both more successful and more secure, it'll improve your day-to-day job satisfaction, improve your reputation, gain you repeat customers, and make you into a better person or a better organization.

Make a list of your top 10 customers

If you don't know your top 10 customers, stop everything. Right this minute go through your accounting system, talk to your sales people, and make sure you know. Write this list down.

Make a list of your top 10 historical customers

The same is true of your former customers. Who were your best customers among those companies who are no longer buying from you? Make a list of the key individuals and companies, and any supporting information you can, from who to call to how you lost their business.

Make a call to at least one "historical" customer

Now, call on one of them. It's not hard. Just dial the phone. Get used to the idea of reconnecting. You don't have to pitch hard to your chosen historical customer. Just say hello. Find out what they've been up to. Help bring them up to date on what you've been doing. Tell them about this free book. Simply begin to re-establish your relationship. You'd be amazed how doing this can help you grow your opportunities over the long run.

Stay calm. Make it a priority.

Stay calm. It bears repeating. Remember that crazy isn't good for business. You'll be happier, smarter, and more successful if you stay calm. Be aware of your mood and make staying calm a priority.

Help America save jobs

Finally, help America create and save jobs. An easy way is to give someone an electronic copy of this book. Point them to HowToSaveJobs.org or give them the PDF. If you want to support us, you can also buy a printed copy.

If you're interested in how some of the concepts in this book came about, download the free PDF of *The Flexible Enterprise,* also at HowToSaveJobs.org. We've scanned in and made that book available to you. It's a great way to see how business looked just before the Web took off. Plus there are some interesting lessons documented inside that are just as valid now as they were way back when.

Poke around the HowToSaveJobs.org Web site and see if there's anything else you can help with. We've got a number of strategic projects we're working on, from America's Share to the National Skills Database. If you can help, or you want to donate to the cause, a quick visit to HowToSaveJobs.org will get you started.

* * *

Thanks for staying with me through all these pages. America has a big job ahead. We need to retool the country and transform it into a job and income creating powerhouse. This is an entirely new world, with competition and opportunities the Founding Fathers, and even our own parents, would never have dreamed possible.

America is a resourceful nation, filled with an amazingly resourceful citizenry. We *can* do this. We *must* do this. We *will* do this.

Go on. Get to work.

PART IV

APPENDICES

Four previously-published articles that provide interesting background information and perspective.

APPENDIX A

The lessons from history on health care reform

BY ROBERT REICH

Robert Reich was the nation's 22nd Secretary of Labor and is a professor at the University of California at Berkeley. His latest book is "Supercapitalism." This article originally appeared on his blog on September 8, 2009 and is reprinted in this book with his permission.

With Congress returning from recess to consider health care legislation and the President set to deliver a major address on the subject to both houses of Congress tomorrow, a bit of history may be in order. An excellent starting place David Blumenthal's and James Marone's "The Heart of Power," which I reviewed for the *New York Times* this past weekend. Here are the major points:

Universal health care has bedeviled, eluded or defeated every president for the last 75 years. Franklin Roosevelt left it out of Social Security because he was afraid it would be too complicated and attract fierce resistance. Harry Truman fought like hell for it but ultimately lost. Dwight Eisenhower reshaped the public debate over it. John Kennedy was passionate about it. Lyndon Johnson scored the first and last major victory on the road toward achieving it. Richard Nixon devised the essential elements of all future designs for it. Jimmy Carter tried in vain to re-engineer it. The first George Bush toyed with it. Bill Clinton lost it and then never mentioned it again. George W. expanded it significantly, but only for retirees.

All the while, the ideal of universal care has revolved around two poles. In the 1930s, liberals imagined a universal right to health care tied to compulsory insurance, like Social Security. Johnson based Medicare on this idea, and it survives today as the "single-payer model" of universal health care, or "Medicare for all." The alternative proposal, starting with Eisenhower, was to create a market for health care based on private insurers and employers; he locked in the tax break for employee health benefits. Nixon came up with notions of prepaid, competing H.M.O.'s and urged a requirement that employers cover their employees. Everything since has been a variation on one or both of these competing visions. The plan now emerging from the White House and the Democratic Congress combines an aspect of the first (the public health care option) with several of the second (competing plans and an employer requirement to "pay or play").

Devising a plan is easy compared with the politics of getting it enacted. Mere mention of national health insurance has always prompted a vigorous response from the ever-vigilant American Medical Association; in the 1930s, the editor of its journal equated national health care with "socialism, communism, inciting to revolution." Bill Clinton's plan was buried under an avalanche of hostility that included the now legendary ad featuring the couple Harry and Louise voicing their fears that the Clinton plan would substitute government for individual choice — "they choose, we lose."

One lesson is that a new president must move quickly, before opponents have time to stoke public fears. After his 1964 landslide, Johnson warned his staff to push Medicare immediately because "every day while I'm in office, I'm going to lose votes. I'm going to alienate somebody. We've got to get this legislation fast.” George W. Bush started planning what became the Medicare drug benefit months before he was elected.

Clinton, by contrast, suffered from delay. Right after his election, national health insurance looked so likely that even some Republicans began lining up behind various plans. A year later, it was dead. In the interim, battles over Clinton’s budget and Nafta drained his political capital, gave his opponents ample time to rouse public concerns about government-sponsored health care and soured key allies like organized labor and the AARP.

Congress can be just as much of an obstacle: one lesson from history is that a president must set broad health reform goals and allow legislators to fill in the details, but be ready to knock heads together to forge a consensus. “I’m not trying to go into the details,” Johnson repeatedly said of his Medicare bill, yet he flattered, cajoled, intimidated and bluffed recalcitrant members until they agreed. “The only way to deal with Congress is continuously, incessantly and without interruption,” he quipped.

Carter, on the other hand, pored endlessly over his incipient health care plan, scribbling opinions in the margins about every detail, and dealt with Congress at arm’s length. And Clinton delivered a plan so vast and complex that even a Democratic Congress chose simply to ignore it. Republicans, meanwhile, decided that a defeat of Clinton’s health care bill would be seen as a repudiation of the new administration and might give them a shot at retaking the House and Senate.

Presidents who have been most successful in moving the country toward universal health coverage have disregarded or overruled their economic advisers. Plans to expand coverage have consistently drawn cautions or condemnations from economic teams in every administration, from Harry Truman’s down to George W. Bush’s. An exasperated Lyndon Johnson groused to Ted Kennedy that “the fools had to go to projecting” Medicare costs “down the road five or six years.” Such long-term projections meant political headaches. “The first thing, Senator Dick Russell comes running in, says, ‘My God, you’ve got a one billion dollar [estimate] for next year on health. Therefore I’m against any of it now.” Johnson rejected his advisers’ estimates and intentionally lowballed the cost. “I’ll spend the goddamn money.” An honest economic forecast would most likely have sunk Medicare.

It’s not so much that presidential economic advisers have been wrong — in fact, Medicare is well on its way to bankrupting the nation — but that they are typically in the business of thinking small and trying to minimize risk, while the herculean task of expanding health coverage entails great vision and large risk. Economic advice is important, but it’s only one source of wisdom.

Yet since Johnson, presidents have found it increasingly difficult to keep their economists at bay, mainly as a result of the growth of Washington’s economic policy infrastructure. Cost estimates and projections emanating from the White House’s Office of Management and Budget and the Congressional Budget Office, both created during the Nixon administration, have bound presidents within webs of technical arguments, arcane rules and budget limits. To date, Democratic presidents have felt more constrained by this apparatus than Republicans, perhaps because they have felt more of a need to prove their cost-cutting chops.

President Obama seems to have anticipated many of these lessons. He’s moved as quickly on the issue as this terrible economy has let him, and he has not been too rattled by naysaying economists (although the cost estimates of the Congressional Budget Office set him back). But although he outlined his goals but left most details to Congress, the lesson from history is that he may have waited too long to force a deal on that disorderly body (especially disorderly when Democrats are in charge). The question remains whether, in the weeks and months ahead, he can knock Congressional heads together to clinch it, and overcome those who inevitably feed public fears about a "government takeover" of health care and of budget-busting future expenditures. He needs to work fast, and be tough as nails.

But even if Obama fails, there is an art to losing, too — in a way that can tee up the issue for future presidents. Truman lost but nonetheless redefined the terms of debate, setting the stage for Medicare (which is why Johnson honored Truman when he signed it into law). Compare him with Clinton, who walked away from the wreckage of his health care plan and rarely mentioned the subject again. This allowed opponents to gain control over the spin and history, so that the Democrats' signature cause slipped out of political sight for a decade.

Any history of the fight for universal care in America contains a subplot with a supporting actor who, although he never became president, is repeatedly heard from offstage — goading, pushing, threatening and pulling presidents of both parties toward universal coverage. Ted Kennedy first introduced his ambitious national health insurance proposal 40 years ago, and he never stopped promoting the cause. A deal he reached with President Nixon was the closest this country has ever come to universal care. Even before Kennedy's death last month, his illness had tragically sidelined him just when his powerful voice was most needed. Yet when and if America ever achieves universal coverage, it will be due in no small measure to the tenacity and perseverance of this one remarkable man.

You can visit Robert Reich's blog at robertreich.blogspot.com.

APPENDIX B

Is China friend or foe?

BY DAVID GEWIRTZ

This article originally appeared on the CNN Anderson Cooper 360 Web site AC360.com on April 10, 2009.

Like two schoolhouse enemies forced to work together on a class project, the fortunes of China and the United States are inextricably linked. But that doesn't mean both nations have to see eye-to-eye on everything — or that they even play well with one another.

As the United States struggles to pull itself out of numerous troubling challenges — a banking system in tatters, two wars, massive job losses — China appears to be flexing its muscles.

It seems like every week, we learn of a new possible national security threat emanating from China. Is the People's Republic of China a threat to the United States, a partner, or both?

In recent months, the Chinese navy has been harassing U.S. Navy survey vessels operating in international waters of the South Chinese Sea.

Last month, the U.S. Naval Institute reported that modified Dong Feng 21 missiles might be capable of extremely long-range flight and might also be able to destroy American aircraft carriers.

Then there are the reports that Russian and Chinese hackers have penetrated the U.S. electrical power grid via the Internet, leaving behind nasty little programs that could later disrupt the operation of the country's infrastructure.

Add to that the results of a first-of-its-kind economic war game run by the Pentagon in March, where China came out on top in a simulated battle for control over the world's economy.

A country's power is often directly related to how strong it is economically. So, in March, the Pentagon tried something completely new. Instead of simulating a battle with tanks and guns, they simulated a battle with banks and currencies. Instead of generals gaming the battlefield, the Pentagon brought in bankers, hedge fund managers, and economists to play at fighting economic war.

The game ended with the U.S. still winning, but barely. Each economic attack further weakened the U.S. Unfortunately, as one country weakened, another kept getting stronger and stronger in the simulation: China. They're innovative, savvy, and proved economically ruthless in the simulation.

China already has huge sway over the U.S. economy. A mere mention earlier this year by Chinese Premier Wen Jiabao about his concern over the safety of Chinese assets in America caused the dollar to lose value overnight.

And, of course, China is America's largest creditor. Depending on how it's measured, we owe China anywhere from $739 billion to $1 trillion — and that sum is likely to rise given how much we're going to need to borrow to stimulate the economy.

Is China a superpower?

The word "superpower" was used originally back in 1944 to refer to the U.S., the Soviet Union, and the United Kingdom. It has come to refer to countries with huge global economic influence, huge domestic production capability, huge military capacity, and, of course, lots of nukes.

Although China is still struggling to tap the economic potential of its huge population, the PRC is the world's second largest economy — we're the first, with about double the GDP of China.

China has nukes, it has a growing military capability, and it has more honor students than we have students — and its new national strategy is to grow its middle class, grow its production capacity, and grow its economy.

Is China a threat?

That depends. Right now, China needs us as much as we need them. This is different from our Cold War relationship with the Soviets. They were pretty much happy to live in their own little economic world, so there was very little in the way of economic co-dependence.

Not so with China. They need us to consume the goods and services they produce. They need us to provide return on their considerable investments here in the U.S. And they need us to fuel a global economy so they can be a fully realized player in the world market.

But they also need us to not screw up. If we are no longer providing value to them, then we're a liability. And that's when we'll need to watch our back. Like the class project relationship, our relationship with China is one of convenience. Our values and goals as nations are not in lock-step. If, in the eyes of leaders like Wen Jiabao, we're putting China's growth agenda at risk, then there may be a risk that they'll take some kind of overt or covert action against us.

What about their recent aggressive behavior?

I am not a mind-reader, so I can't tell you what Hu Jintao, Wen Jiabao, Wu Bangguo, Jia Qinglin and the other Chinese leaders are thinking. But I can tell you what it looks like.

It looks like they're testing us.

Based on the actions we know about, it looks like China is testing us in a variety of ways. They're testing how we react to subtle military provocations and they're testing to see just how vulnerable we might be in terms of our financial system (a lot) and our infrastructure (somewhat).

One reason they might want to test us is to see if their investments are sound. If we're showing weakness, they might either want to capitalize on that weakness or factor it into their decision making. Likewise, if we're showing strength, that, too, is important for them to know.

Another reason they might want to test us is to find new ways to exert leverage. Since both countries are heavily armed, neither nation wants to get into a no-holds-barred warfight with the other. But China might want to find ways to weaken us, threaten us, or otherwise blackmail us into doing things their way.

There's one more possibility and I almost hesitate to mention it. China could also be preparing to defend against us, in case we decide to attack (or just decide not to honor our debts). We've all seen the TV shows where a bad guy owes so much money that instead of paying it back, he kills his creditor.

We, of course, don't think of the U.S. as a bad guy, but the Chinese might not want to take the chance. We're a big, strong country and we've certainly demonstrated that if we have a mind to, we can destroy another nation.

China might be laying down various defenses just in case we collectively go off our meds and decide to pick a fight instead of paying our debts.

What does this mean for America?

Wen Jiabao is a formidable man. Like Li Peng, who served as China's Premier from 1987 to 1998, Wen is an engineer by training. He is hugely popular within China, in part due to how he helped manage the Sichuan earthquake disaster last year. All indications are that Wen has a practical side to his governing style, and that can bode well for American relations.

China isn't the only threat out there and we must do everything we can to strengthen America so we can once again respond to multiple threats.

Back in the good old days, when we used to talk about being able to fight more than one war at a time, we were just talking about where we send our troops. In these modern times, however, we're also looking at the financial space and cyberspace as arenas of battle.

We need to do a better job. We need to strengthen our layers of protection against attack from cyberspace. We certainly need to rebuild our financial system.

And we need to invest even more in adding layers of defense to our ships and troops in harm's way. Thay means better shipboard defense systems, better armor for vehicles, better body armor, and the like.

It’s costly and a lot of work, but the good news is that the stronger we become, the safer the whole world will be. Plus, the more we invest in securing our ships, troops, and computer networks, the more money we put into our own economy — and that creates more jobs.

China doesn’t want to go to war with America. They’d much rather we buy their products and pay off our debts. That will help them build up their economy and help them move their billions of citizens into the middle class.

It’s all a big circle. If China eventually gets their billion-plus middle-class citizens, there’s little doubt that virtually every one will want to buy an iPod (which, not coincidentally, is partially assembled in China).

So are they a friend or foe? That probably depends on us.

APPENDIX C

Infrastructure or chotchkes?

BY DAVID GEWIRTZ

This article originally appeared on the CNN Anderson Cooper 360 Web site AC360.com on April 21, 2009.

My wife and I have too much junk.

When we got married four years ago and combined the contents of two small apartments into a house, we moved 19,480 pounds of...stuff. Books and furniture mostly, kitchen gadgets that don't get much use, DVDs and video games that have never been watched or played, tools I have no idea how to use, and more.

We moved into a house that seemed slightly overpriced then and seems way too expensive now. But it's not just the cost, it's the upkeep that's getting to us. Neither of us ever considered what would be required to keep a whole house clean, or what it would take to keep everything in working order.

Since we moved in, we've probably bought another ten tons of junk. More books, DVDs, games, toys, tools, gadgets, a home gym, and furniture. Did you know furniture in a bedroom was supposed to match? I didn't, at least until I got married.

We've found ourselves wishing we'd moved into a smaller house. Like most Americans, we're constantly worrying about whether or not our income will be reliable enough for us to keep making payments. They seemed reasonable when we moved in and now seem almost overwhelming.

We've stopped buying so much stuff. We rent movies now, although we rarely get the time to watch them. Rather than buying new things, we try to remember to use what we already have.

Of course, that doesn't work for necessities, like pizza, chocolate, and medical care.

You'd be amazed what you can save when you change from being a good American consumer to a frugal one. Like most Americans, we filed our taxes last week and after pulling together all our paperwork, we discovered we spent a whole lot less in 2008 than we did in previous years.

The thing is, other than that prevailing sense of non-specific doom we all have, we didn't feel any sense of lack from our reduced spending. We didn't deny ourselves TV or entertainment, we just used what we had.

We did, however, hold off on buying the new couch and bed. Instead, we made a few repairs. All it took was an hour and a few parts from the hardware store (and my summoning the courage to use a reciprocating saw instead of a keyboard). Instead of spending a few thousand dollars to replace some furniture, it cost us less than $5 to fix what we already had.

Most Americans, rich or poor (but, actually, more often poor and middle-class) have too much stuff. A few years ago, there was a big boom in anti-clutter TV shows just to help people learn how to come to terms with getting rid of their crap.

And it's here that there might just be a small silver lining in the cloud of our post-crash economy. We're becoming a more frugal nation. In buying less stuff, we're impacting our planet less, saving a little money, and using what we've already got. No one wants enforced frugality, but irrational consumption isn't healthy either.

Sadly though, what might be healthy on an individual basis might not translate to the greater good — at this point anyway. After all, if we *all* rediscover the frugality and practicality that helped early Americans settle this country, we'll *all* wind up spending less. And, as we've come to know, when we spend less, there are fewer jobs.

It's a troubling paradox. What might be healthy for us individually and for the planet might not be so good for a consumer-based economy. But was all that instant gratification really good for us? Many of our favorite chotchkes aren't even made here in America.

Is there a way for us to learn to create jobs and employ Americans without relying on junk we buy from other countries?

That's one less obvious reason why the stimulus package might just be a good idea. Maybe, if we fix our broken bridges and rewire failing schools, there will still be jobs, but as we dig our way out of this depressing recession, we won't have to keep digging our way out of all that junk that's cluttering up our homes and our lives — and quietly eroding our economy.

APPENDIX D

Detroit, pimp my ride

BY DAVID GEWIRTZ

This article originally appeared on the CNN Anderson Cooper 360 Web site AC360.com on June 19, 2009.

I've been thinking a lot about Chrysler and GM lately. This isn't quite as ripped-from-the-headlines as it might sound, because I often think of cars. I'm what you might call a "car guy".

Car guys fall into all sorts of sub-categories, but mine is the one where the middle-aged guy who really couldn't fix a car to save his life finds himself dreaming of building a hot rod. Yes, I'm over 40 and I like things that loudly go *vroooooom*.

One thing us car guys like to do is plan the future for all of our favorite car companies. It's kind of like we used to do when we were little boys in school, drawing pictures of cars with crayons, adding an air scoop in the front, and maybe some flames coming out of the exhaust.

Except, most of us mid-life car guys have given up the crayons and either taken up the online forum or hold court around a Weber grill — and the closest we ever really get to flame jobs is cooking the oh-so-well-done burger that Dad always likes.

Good old American iron

But now we really do have something to talk about, because the good old American iron is showing more than a few signs of rust. Chrysler, for example, just had a shotgun marriage with Fiat. *Fiat* of all companies — you go to their Web site and they don't even list the United States on their list of countries!

Regardless of how most of us Americans think of Fiat, they've been around longer than any of the Big Three. Formed in 1899, Fiat is the world's sixth largest car maker.

But when most American car guys my age think of Chrysler, we think of that special brand of muscle car known as Mopar. Yes, Mopar is a contraction of Motor Parts and I agree it's an altogether uninspired moniker, but true Mopar cars can take your breath away.

The 1969 Dodge Charger and the 1970 Hemi Cuda convertable were cars that were all go *and* all show. Heck, the General Lee was a 1969 Dodge Charger and Bo and Luke could make that baby jump rivers!

Of course, Ford and GM also had their classic muscle cars. Who doesn't salivate just thinking about a classic Shelby or a 1970 Boss 302 Mustang? On the GM side, of course, there's the Goat, the Pontiac GTO (Gran Turismo Omologato) and the Trans Am. When you have a long way to go and a short time to get there, there's just nothing like a 1977 Trans Am to keep Smokey at bay.

And today, where are these heroic brands? GM has declared bankruptcy and the Pontiac brand will cease to exist after 2010. Of course, there's been precious little life in the brand for years. Chrysler's also been dead for years, but no one's really known it. Bought by Germany's Daimler almost a decade ago and dumped in 2007, the company has long been a brand without a mission — and hasn't really been an *American* car company for years.

What if you ran the car companies?

So, what if we got rid of all the suits and let some car guys run Chrysler and GM? Would it herald a return to the heyday of the Bandit and the General?

Sadly, the answer is no. It's no coincidence that all the classic muscle cars are 30 years-old or older. Back when they were at the top of their game, gas was incredibly cheap and the world's oil reserves were presumed by most to be infinite. Global warming was an unknown term, and, often, so were the concepts of reliability and safety.

The thing about the muscle cars, back in the day, was they were generally affordable by the regular Joe. Sure, some of the biggest engines were a stretch on the finances, but if you wanted a Hemi badly enough, you could get one.

Chrysler still makes hot cars. One of its hottest is the failure known as the Dodge Viper. So far this year, Chrysler's sold a little under 300 of them. Total. This 600-horsepower, V10-powered bad boy gets barely 16 miles to the gallon with a tailwind and costs more than $90,000 — and *this* is the first car that the management at the new Fiat/Chrysler have decided to put back on the road.

Talk about missing the point! *Sigh.*

Grabbing a slice of Kielbasa off the grill before it had completely turned to charcoal, I asked some of my buddies what they'd do if they were faced with revitalizing Chrysler and GM. Together, we came up with a plan that even Joe the Plumber could love.

First, we agreed that fuel economy is important. This is where good ol' American engine-uity can shine. There are now amazingly long-lasting and high-performing batteries and the technology for fuel cells and hybrids is well understood. Get the best technology for environmentally sound get-up-and-go, scale it up to keep the cost down, and don't look back.

Yes, we agreed, there are issues of electrical charging, infrastructure, new fuel distribution, and all that. Ignore it. Make a hot, fast, affordable car and the rest of the infrastructure will take care of itself. Apple made the iPhone. Do you have any idea how many other companies jumped on the bandwagon behind that blazingly hot product to fill out the offerings? The same will happen with a hot car — just as long as it sells. So make something that will sell.

Next, make the car look cool. Most family cars look the same, but you can tell a Mopar from a mile away (and not just because some dude pulled off the muffler). Make it look really, freakin' cool. Don't hold back, don't try to meet everyone's needs, don't try to be middle of the road. You want a car that looks so darned good that your toes curl just staring at it.

And don't make it so small that only a 13-year-old boy can fit inside. American adults are "big boned" and that's why we fit better in muscle cars than sports cars. Leave those tiny, little eggs to the Italians. We want manly-man cars.

Make it reliable and rock-solid safe. Most Americans don't buy foreign cars because they prefer foreign cars. Those Americans who buy foreign cars do so because the foreign cars seem better. And yet, we Americans pioneered the concept of quality in manufacturing. There's no reason, if we really, *really* care, that we can't make a car that's built to last.

Yes, last. The more cars that are out there, the stronger the aftermarket will be. And the stronger your aftermarket, the stronger the overall market for your car. Don't worry, you Detroit pencil-pushers. Those people who always turn in their car every three years will continue to do so. Your cars don't have to break down so you can make money selling more. If your car is solid, you'll make it up on volume.

Good mileage, environmentally friendly, *and* high-performance. Check.

So cool looking, it's guaranteed to get you laid — and roomy enough to make it possible. Check.

Reliable and rock-solid safe. Check.

What's left? Oh, yeah. Cost. The car has to be affordable. And we're not talking affordable to lease. We're talking affordable to *purchase.* If Apple can sell a $700 phone for $199 and still make a mint, American car companies can figure out a business model that can get these babies in the hands of any American who wants one. Be creative. It's doable.

I can see the suits shaking their heads. How can we put an environmentally friendly high-performance engine in it, make it sexy, make it reliable, and make it cheap? It's just not possible, they'd say.

And that's why the MBAs in Detroit are now bowing and scraping to an Italian company that can't even be bothered to put the United States on their Web site.

The thing is, American industry has proven it's capable of anything. After all, America — not Japan, not South Korea, and certainly not Italy — America created the Mustang, America created the Hemi, and America created the Goat.

America can do this. America *must* do this.

Oh, and if you're wondering, and I know you are: if I were Barack Obama and I owned 60% of a car company like GM, even for a week, I'd require all cars to have flame jobs and hood scoops. Just sayin'...

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