

Is the USA 2005 Technology Environment Headed in the Wrong Direction? **Part 4**

Business, economic & geopolitical indicators causing high anxiety in high technology

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Abstract:

*After eight years of an improving environment for technology, the last five years have moved us in the wrong direction. This is the **fourth in a series of articles** that explores business, economic and geopolitical indicators that have been causing high anxiety in the world of high technology in the United States and elsewhere.*

The author observes at least a dozen enervating factors occurring over the last five years: (1) unremitting extravagance in the face of the shift from US federal budget surplus to deficit, (2) the definite long-term trend of a rich-get-richer, poor-get-poorer US income distribution, (3) sluggish net job growth well below the requirements of US population increases, (4) a net US disadvantage in globalization, (6) weakened US environmental stewardship, (6) the ballooning real and psychic costs of war, (7) reduced US and worldwide admiration for US leadership, (8) the weaker US dollar, (9) rising energy, oil & gas prices, (10) a deteriorating domestic stock market, (11) ongoing corporate fraud, and (12) record trade deficits, requiring the US to borrow billions of dollars every week from abroad.

The first article in this series was posted on CAD-Portal.com on April 15, 2005, followed by the second article on May 17. An "instant update" third article was posted on June 08, 2005.

Future articles in this series will focus on the remaining aspects of the "Dirty Dozen" factors mentioned above. Selected tech-industry success stories in coping with this overall negative atmosphere will also be provided in subsequent articles.

Focus of Part 4

In virtually every one of the "dirty dozen" categories listed above, reports of events moving in the wrong direction continue to appear with relentless frequency. Part 4 in this series of articles focuses on two specific factors in the list not previously discussed in detail. These two are: (6) *the ballooning real and psychic costs of war, and (7) reduced US and worldwide admiration for US leadership.*

As a brief prelude, let's review the **performances of the US stock markets** at the end of last week (June 23 and 24). The Dow industrials closed out the week with back-to-back triple-digit declines to notch a five-session losing streak, its worst run of losses in more than six months. On the week, the Dow fell **3.1%**. The tech-rich Nasdaq Composite Index dropped **1.8%**. The S&P 500 Index was off **2.1%**.

Why? Apart from the other economic slowdown factors discussed in previous articles in this series, **OIL** continues to hold Wall Street's attention amid speculation about how much further crude prices might rise. Crude oil futures actually traded **above the \$60-a-barrel level** last week, ending at \$59.84 on June 24. Investors just cannot shake concern that worldwide oil supplies will not be able to meet strong demand.

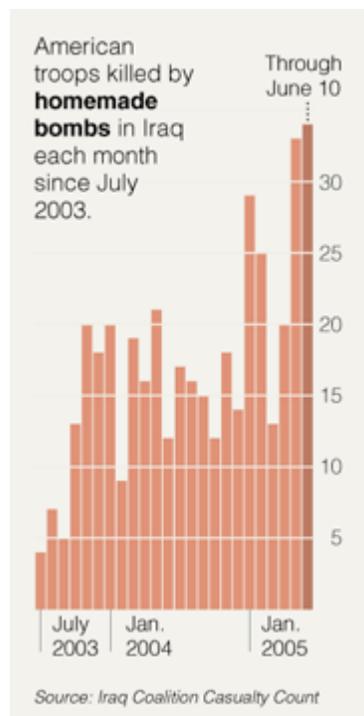
The continuing instability in IRAQ is a large part of the worry. After more than two years, the oil supply from IRAQ, which we were told by US leaders would easily pay for the US participation in the war, has not even come close. The out-of-pocket tab for US taxpayers for the war in IRAQ is now over \$200 billion and headed for \$300 billion by the end of 2005. This on top of the ballooning federal deficit that is driven by the deliberate reduction in federal taxes and thus government revenue over the last five years.

Of course, the "cost" of the war in IRAQ is measured by far more important parameters than mere dollars.

War trauma abides. US military deaths in IRAQ since the ill-advised war began in March 2003 are now over 1700 and counting. Injuries to both US and Iraqi personnel are orders of magnitude greater. Needed supplies and armor plating for US forces in IRAQ are delayed; US soldiers in IRAQ have now openly confronted Secretary Rumsfeld to little avail. More than two years into the IRAQ war, the armoring program is yet to be completed.

The Iraqi insurgency is stronger than ever. The January 30, 2005 Iraqi elections provided no lasting respite. In a case where advanced technology is being used against the US, casualties from bomb attacks in IRAQ have reached new heights in the last two months as insurgents have begun to deploy devices that leave even armored vehicles increasingly vulnerable. In May 2005 there were some 700 attacks against American forces using so-called improvised explosive devices (I.E.D.'s), the highest number since the invasion of IRAQ in 2003, according to the American military command in IRAQ and a senior Pentagon official. Attacks on Iraqis also reached unprecedented levels, said Lt. Gen. John Vines, a senior American ground commander in IRAQ.

The surge in attacks has coincided with the appearance of at least two significant advancements. One is in bomb design, including the use of "shaped" charges that concentrate the blast and give it a better chance of penetrating armored vehicles. A second change has been the detonation of explosives by infrared lasers, an innovation aimed at bypassing electronic jammers used to block radio-wave detonators.



I.E.D.'s of all types caused 33 American deaths in May, and there were at least 35 fatalities already in the first 10 days of June. Improvised explosives now account for about 70% of American casualties in IRAQ. The insurgents "certainly appear to be surging right now," said Brig. Gen. Joseph L. Votel, who leads the anti-I.E.D. task force.

While hundreds of armored Humvees have been "rushed" to IRAQ over the past year, five marines were killed Between June 20 and 24, near Ramadi, about 70 miles west of Baghdad, when their vehicle hit an I.E.D. Earlier in June, five marines were killed after their vehicle struck a bomb in Haqlaniya, about 150 miles northwest of Baghdad. A senior Marine officer with access to classified reports from the field said that the vehicles involved in the two fatal attacks were armored Humvees but that the bombs "were so big that there was little left of the Humvees that were hit."

Is it any wonder that esteem for the US Administration has plummeted since the war in IRAQ began?

Offshore opposition to Bush's policies across the world had been present for several years now.



But at long last, the US population itself has finally awakened. There is now irrefutable evidence and multiple reasons for this change of heart inside the US, including but not limited to these factors:

- While Saddam Hussein was found over 18 months ago in IRAQ, WMD have never been. The search for WMD has been officially abandoned by the US. Another administration claim, that Hussein had ties to Al Qaeda before the invasion, has also been debunked.
- Detainees in IRAQ have been tortured by US forces, Yet only low level "order-takers" are being prosecuted. This is the just the opposite of Nuremburg, where order-givers from generals on up were punished. Meanwhile, the chief architect of subverting the Geneva Convention, Alberto Gonzales, was nevertheless confirmed Attorney General. It would seem that the previous era of scandal, followed by investigation and punishment, has been turned on its head.
- US citizens are beginning to stay away from the armed services. In January 2005, the US Marine Corps missed its monthly recruiting goal for the first time in over 10 years! Both the US Army and Marines continue to miss their monthly recruiting goals through May 2005.
- One by one, "coalition" members are withdrawing their already-meager IRAQ support. Many nations strongly disagreed with the US decision to preemptively invade IRAQ. As a result, problems continue to this day. For example, the North Atlantic Treaty Organization agreed December 2004 to increase its forces training soldiers in Baghdad, but six member countries have still refused to take part (France, Germany, Belgium, Greece, Spain and Luxembourg). So former national allies are now political foes of the US and NATO and the UN are the weaker for it.
- Other world hot spots threaten to consume more US soldiers. Nuclear proliferation (Iran, North Korea, etc.) continues to raise its ugly head.
- Bin Laden remains at large, and Al Qaeda terrorist attack warnings are frequent domestic occurrences, with actual terrorist attacks a grim reality elsewhere.
- Here at home, US chemical plants, nuclear power plants, ports, and other vulnerable sites remain unprotected. And US borders remain porous.
- The Bush Administration, already accused by veterans groups of seeking inadequate funds for health care next year, acknowledged on June 23, 2005 that it is short \$1 billion for covering current needs at the Department of Veterans Affairs just this year. Indeed, the cost of the main military health care plan (Tricare) has doubled since 2001 and will soon reach \$50 billion a year, more than a tenth of the Pentagon's budget. Over the next decade, a new plan for military retirees, *Tricare for Life*, would cost at

least \$100 billion, according to confidential budget documents, rivaling the costs of the biggest weapons systems the Pentagon is building. *Tricare for Life* is one of a long list of assurances, like prescription drug benefits for the elderly, that Washington is making to American citizens at a rate of more than \$1 trillion a month. The government's unpaid-for promises grew by more than \$13 trillion last year, a sum larger than the nation's 2004 economic output, and they now surpass \$43 trillion, said David A. Walker, comptroller general of the United States. Last year "was arguably the worst year in our fiscal history," said Mr. Walker, who runs the Government Accountability Office, the budget watchdog of Congress. "It seems clear that the nation's current fiscal path is unsustainable."

Worldwide admiration of the USA is at an all time low:

In a January 2005 poll, 56% of Americans felt that the country had gone off on the wrong track. In late March, President Bush's approval rating slipped to a new low in the then-latest national survey. The USA Today/CNN/Gallup survey released on March 25, 2005 found that only 45% of the 1,001 adults surveyed March 21-23 thought Bush was doing a good job, compared with 52% during three previous surveys in late February and early March. The president's previous low since taking office in January 2001 was 46% in May 2004. Fifty-nine percent (59%) of those surveyed believed the economy was getting worse, up 9 points from earlier in March. The overall figure was then Bush's worst negative figure on the economy in two years.

By June 2005, the results are worse (see graph below):

The President's Marks Are Low ...		
Respondents to a New York Times/CBS News poll who approve of the way President Bush is handling		
His job	Foreign policy	The economy
42%	39%	39%
Campaign against terrorism	Iraq	Social Security
52%	37%	25%

Don't say the US people weren't warned:

In testimony before the Senate Intelligence Committee in mid-February 2005, the then-new CIA Director Porter Goss said, "Islamic extremists are exploiting the Iraqi conflict to recruit new anti-U.S. jihadists. It may only be a matter of time before Al Qaeda or another group attempts to use chemical, biological, radiological and nuclear weapons." **Hello?** *On Sunday March 16, 2003 (i.e. before the US invasion of IRAQ), the Washington Post reported that "specialists inside and outside the government question whether a US-led*

invasion of IRAQ would deliver a significant blow against international terrorism. Experts warn that war and occupation could also have the opposite effect by emboldening radical Islamic groups and adding to their grievances." That was March 2003, folks!

About Russell F. Henke: Russell F. Henke, PhD, FSME, PE, FASME, is president of *Henke Associates*, business/management consultants to over 30 hi-technology client companies worldwide for the last nine+ years. During the previous 25 years -- while serving as corporate officer, board member or entrepreneur -- he was active in developing, marketing, selling and supporting commercially-successful applications software & global professional services in electronic design automation (EDA); finite element analysis and Mechanical CAD/CAM, including the most modern Internet e-commerce; as well as industrial and electronics manufacturing. He held consecutive corporate executive positions at Mentor Graphics Corporation, Automation Technology Products, Gould Electronics, Schlumberger Applicon, and SDRC. He started his career in the machine tool training program at the Cincinnati Milling Machine Company and simultaneously earned ME, MS and PhD degrees at the University of Cincinnati. Henke also "moonlighted" as an adjunct assistant professor, teaching mathematics and engineering for 13 years. In 1989, Henke received a Distinguished Alumnus Award from UC. A member of ASME, IEEE and the SME, Henke was elected an SME Fellow in Class of 2000, one of only 225 Fellows in SME's entire history. Henke was also elected in 2001 by the SME Membership as an International SME Director. Henke received an award for Professional Leadership from the IEEE in 2002. He was elected an ASME International Fellow in 2003. <http://www.henkeassociates.net>

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