

Dan Rather Reports

Episode Number: 341

Episode Title: Whiz Kids

Description: Wall Street is now attracting a huge percentage of graduates from the nation's elite colleges and universities, and some are questioning if this is the best use of this country's brightest young minds. Also, Israel and its amazing contributions to the high tech world. And after another devastating hurricane, questions about whether to rebuild Galveston, Texas.

TEASE:

HOWARD GARDNER, HARVARD PROFESSOR

Should Harvard really be a selection mechanism for management consultants and investment banking? Is that really what we're doing a Harvard education for? And I would argue no.

NILES FLEISCHER, VICE PRESIDENT OF BUSINESS AND PRODUCT DEVELOPMENT
FOR NANOMATERIALS

Israel, I think is second only to Silicon Valley or to the United States, in terms of venture capital investments and venture capital funds. And this is amazing, because if you look at our population of just a little over six million or so, there's about 2,000 high tech start-ups here.

JOHN ANDERSON, GEOLOGIST

Well what you're seeing is a problem that exists up and down the coast. Eventually the tide will come in and Mother Nature's gonna claim what Mother Nature wants to claim.

RATHER (VOICE OVER)

WE'LL BRING YOU THE NEWS TONIGHT ON DAN RATHER REPORTS.

WHIZ KIDS:

RATHER (ON CAMERA)

GOOD EVENING.

TONIGHT, AN INVESTIGATION INTO A SIDE OF THE WALL STREET MESS YOU PROBABLY HAVEN'T HEARD.

IT INVOLVES AMERICA'S TOP COLLEGES AND UNIVERSITIES AND THEIR RELATIONSHIP WITH BIG BANKS AND INVESTMENT FIRMS - THE MASTERS OF THE UNIVERSE ON WALL STREET. WALL STREET HAS LONG BEEN THE GRADUATION DESTINATION FOR SOME OF THE BRIGHTEST YOUNG MINDS. BUT AS THE STOCK MARKET ROSE, SO DID THE INTEREST IN STUDENTS WHO MAY HAVE NEVER TAKEN A BUSINESS CLASS IN THEIR COLLEGE CAREER, BUT WERE LURED BY THE GLITZ, GLAMOUR, POWER AND SERIOUS MONEY OF INVESTMENT BANKING.

WITH ALL THE CHALLENGES FACING AMERICA TODAY FROM ENERGY TO THE ENVIRONMENT, THE NATION'S MOST PRESTIGIOUS INSTITUTIONS NOW STAND ACCUSED BY SOME OF QUIETLY, BUT EFFECTIVELY, BECOMING FARM TEAMS FOR WALL STREET.

AND NOW, SOME PROMINENT EDUCATORS ARE BEGINNING TO QUESTION WHY SO MANY 18-YEAR-OLDS WHO ENTER COLLEGE FILLED WITH DREAMS OF CHANGING THE WORLD - ARE LEAVING AS INVESTMENT BANKERS.

VANECIE DELVA, STUDENT

So for us this is great, right, 'cause we can buy Microsoft at like twenty bucks. That's crazy, right?!!

RATHER (VOICEOVER)

IF YOU WANT TO KNOW HOW THIS SYSTEM WORKS, YOU CAN START WITH SENIOR VANESIE DELVA. WHEN SHE CAME TO DUKE UNIVERSITY, SHE HAD DREAMS OF BECOMING A PSYCHIATRIST. BUT AFTER JUST A FEW MONTHS ON CAMPUS, IT BECAME CLEAR TO HER THAT THE SMARTEST KIDS WERE CONSIDERING CAREERS ON WALL STREET.

DELVA

I'm like, "I have no idea what an investment bank is." I applied. I got it. And they flew me out to New York. And I had an amazing-- it changed my life forever.

RATHER (VOICE OVER)

THE SUMMER BEFORE HER SOPHOMORE YEAR, DELVA WAS ACCEPTED AT AN UNDERGRADUATE "CAMP" HOSTED BY GOLDMAN SACHS, THE WORLD'S PREMIER INVESTMENT BANK. THE THRILL OF THAT EXPERIENCE CATAPULTED HER INTO THE HIGH-STAKES WORLD OF INVESTMENT BANKING.

DELVA

And I loved it. I love it. I loved everything about it-- sleeping under my desk, like modeling and actually understanding how everything works with the markets. It was very exciting to me.

RATHER (VOICE OVER)

AND IT'S OBVIOUSLY EXCITING TO MANY OTHER DUKE STUDENTS -- IN 2007, 51% OF JOB-BOUND STUDENTS GRADUATING FROM DUKE, ENTERED THE FIELDS OF FINANCE AND CONSULTING. AND EVEN IN THE CHALLENGING 2008 ECONOMY, THE FIGURE WAS 41%.

ULTIMATELY, DELVA SECURED A SIGNING BONUS AND A HIGH-PAYING JOB WITH INVESTMENT BANK CREDIT SUISSE BEGINNING AFTER GRADUATION.

WE ASKED HER WHY SHE MADE SUCH A DRASTIC CHANGE IN HER CAREER PLANS ...

DELVA

Especially at elite universities, it's kinda like what-- what's the hot thing? What is the hot thing? And I think banking and consulting are the two hot, sexy topics.

RATHER (VOICE OVER)

SO EVEN WHILE BANKS AROUND THE WORLD ARE LAYING OFF THEIR CURRENT EMPLOYEES ... SOME ARE STILL GEARING UP TO BRING ON NEW TALENT.

BARACK OBAMA

The system's been rigged against everyday Americans by the lobbyists that Wall Street uses to get its way.

RATHER (VOICE OVER)

DURING THE ELECTION SEASON, THE PRESIDENTIAL CANDIDATES NEVER MISSED AN OPPORTUNITY TO DENIGRATE WALL STREET FOR ITS CORRUPTION AND GREED.

BUT DESPITE THE CRITICISMS, A JOB ON WALL STREET HAS BECOME A PRIZE DESTINATION FOR MANY OF THE MOST TALENTED COLLEGE SENIORS.

THE NUMBERS ARE STAGGERING. AT THE UNIVERSITY OF PENNSYLVANIA, 59% OF SENIORS HEADING DIRECTLY FOR THE WORKFORCE IN 2007 ACCEPTED FINANCE OR CONSULTING JOBS. AND YOU MAY BE SURPRISED TO LEARN THAT THAT STATISTIC INCLUDES OVER HALF THE STUDENTS WHO GRADUATED WITH

ENGINEERING DEGREES -- NOT A FIELD COMMONLY ASSOCIATED WITH WALL STREET.

AND AT PRINCETON AND HARVARD -- WE FOUND SIMILAR NUMBERS. THINK ABOUT THAT, HALF THE STUDENTS -- GOING INTO ONE OF TWO BUSINESSES.

IT'S A TREND THAT A LEADING EDUCATION PROFESSOR AT HARVARD, HOWARD GARDNER, FINDS QUESTIONABLE.

HOWARD GARDNER, HARVARD PROFESSOR

Should Harvard really be a selection mechanism for management consultants and investment banking? Is that really why-- what-- the work we're doing a Harvard education for? And I would argue no. If Goldman Sachs-- which is the most respected investment bank, and McKinsey, which is the most respected-- consultancy-- if they really want to-- go in competition with Harvard, they should take people out of high school and just-- train them right there.

RATHER

For investment banking or financing, or mortgage?

GARDNER

That's right. And of course, then your whole involvement in college becomes different. St. Augustine said, "Oh, Lord, make me chaste, but not quite yet." And I think these young people are saying, "Make us good workers. But first let us get our first million, or our first billion."

And meanwhile, not only are they-- in many cases, not being true to their real passion, which could be music, or it could be, you know, medicine or something like that. But they're not giving anything back to the society. And the liberal arts education, which is a real privilege. And one of the great things that America really pioneered in, I think should go with the sense of-- of responsibility, of-- of giving back. I will say something-- a hypothesis I have. I think that when they're recruiting consciously or unconsciously they're looking for people who can walk a very fine line between the proper and the improper.

RATHER (VOICE OVER)

AND CRITICS LIKE GARDNER SAY THAT THE GRADUATES OF ELITE SCHOOLS WHO FLOCKED TO WALL STREET, OFTEN WITH DEGREES IN MATH AND SCIENCE, WERE THE ONES WHO HELPED CREATE THE CURRENT FINANCIAL CRISIS.

GARDNER

We both know some of these financial instruments are so complicated that almost nobody understands them. I mean Warren Buffet and George Soros say that they don't touch derivatives

because they don't understand them. And-- this recruiting of people who will be able to bring in money and not get caught is a very-- toxic combination.

It would make me very sad if there also was an effort to pick out people who were too clever. Because I'm not sure that people who were involved in the Wall Street debacle were evil. But I'm quite sure that many of them were too clever.

RATHER (VOICE OVER)

GARDNER HAS RECENTLY BEGUN CONDUCTING SEMINARS AT SEVERAL SCHOOLS TO HELP STUDENTS MORE DEEPLY CONSIDER THE CONNECTION BETWEEN THEIR EDUCATIONS AND THEIR CAREERS.

GARDNER

I went to Harvard College in the '60s. And except for people who came from banking backgrounds, there wasn't much of a talk about that. And management consultancies, were pretty invisible. Now in the course of a couple of generations there's been a huge shift to the extent that many people say, "The pressures on me to do this are so great." Whereas -- 40 years ago-- when you and I were growing up, the pressures didn't exist.

And the truth is that, you know, you're basically trying to help somebody, which may or may not include you, just make more money. And there's nothing evil about that. But at the end of the day I'm not sure that everybody wants to have on their tombstone, "I helped the container industry-- go up 20 percent." Rather than with all the-- the poverty and racism, and disease in the world. You know? I didn't-- didn't do my part to-- to make things a bit better.

RATHER (VOICE OVER)

VERY FEW STUDENTS BEGIN COLLEGE WITH DREAMS OF BECOMING BANKERS OR CONSULTANTS, BUT IT'S CERTAINLY NOT HARD TO UNDERSTAND WHY SO MANY OF THEM WIND UP IN THOSE JOBS. OF COURSE, THE FIRST REASON IS THE SALARY. THIS IS DUKE SOPHOMORE ALEX REESE:

ALEX REESE, DUKE STUDENT

I think that there's-- there's a financial reality. I think that if-- if you're given a signing bonus and you're offered this-- this-- great position that pays really well, I think there's certainly some-- some-- some social pressure and some-- some financial pressure there.

RATHER (VOICE OVER)

WE CAN ALL UNDERSTAND THE PRESSURE AND MOTIVATION TO ACCEPT A SIX-FIGURE STARTING PAY PACKAGE, BUT THE BANKS AND CONSULTING FIRMS ENTICE STUDENTS WITH MUCH MORE THAN JUST A PAYCHECK... THEY IMPRESS

POTENTIAL RECRUITS BY JETTING THEM ACROSS THE COUNTRY FOR INTERVIEWS AND WINING AND DINING THEM ONCE THEY GET THERE.

THIS IS HOW THE GAME WAS PLAYED IN THE DECADES LEADING UP TO THIS CURRENT FINANCIAL CRISIS ... BUT EVEN IN TODAY'S GLOOMY FINANCIAL TIMES, CONSULTANCIES, BANKS, PRIVATE EQUITY FIRMS, AND HEDGE FUNDS ARE ALL STILL RECRUITING, ALTHOUGH MANY WILL LIKELY HIRE FAR FEWER NEW EMPLOYEES THIS YEAR THAN IN YEARS PAST.

WE ASKED WILLIAM WRIGHT-SWADEL, THE DIRECTOR OF CAREER SERVICES AT DUKE, WHY SUCH A DISPROPORTIONATE NUMBER OF STUDENTS HAVE TRADITIONALLY FLOCKED TOWARD THIS RAREFIED BUSINESS WORLD.

WRIGHT-SWADEL

People know about it. It's relatively easy to get information about it. And the corporate world also tends to come to the students.

RATHER (VOICE OVER)

WRIGHT-SWADEL SAYS ANOTHER KEY REASON WHY THESE BANKS AND CONSULTANCIES MANAGE TO TAP SO MANY TALENTED STUDENTS IS BECAUSE THEY SWOOP IN BEFORE ANYONE ELSE CAN.

WRIGHT-SWADEL

Campus recruiting programs nationally are responsive to a particular kind of organization. And that organization is one that can look ten months ahead and predict that they-- what their needs are going to be, and can also look and say, "We're gonna need to hire-- a relatively large cohort of new talent."

STUDENT

They were gonna fly me on Thursday and then Friday would be the interview.

WRIGHT-SWADEL

Friday would be the interview?

RATHER (VOICE OVER)

AND OFTEN, THESE BANKS AND CONSULTING FIRMS -- MAKE OFFERS THAT ARE NEARLY IMPOSSIBLE TO REFUSE ...

WRIGHT-SWADEL

Imagine the conversation where you go home to sit down with mom and dad, and saying, "Look, I have an offer to go to New York City. They're gonna pay me well. I'm gonna get well-trained. But I think I'm gonna turn it down to go explore other alternatives." I can imagine what my mom or dad would've said...

RATHER (VOICE OVER)

BUT IT'S NOT JUST THE MONEY AND SECURITY ...THESE JOBS ARE ALLURING BECAUSE THEY ATTRACT THE EXACT STUDENTS WHO HAVE BEEN SO COMPETITIVE ABOUT THEIR ACHIEVEMENTS THEIR ENTIRE LIVES ... FROM S-A-T SCORES ...TO IVY LEAGUE ACCEPTANCES ...TO THOSE HOT-SHOT WALL STREET JOBS.

MAGGIE PISACANE, FORMER INVESTMENT BANKER

There was a sort of perverted-- social strata to what job you had after college. And certainly, investment banking was held in higher esteem than doing something like teaching.

RATHER (VOICE OVER)

MAGGIE PISACANE IS A HARVARD GRAD WHO WORKED AS AN ANALYST AT MORGAN STANLEY AFTER COLLEGE.

PISACANE

The pressure throughout students' lives to get the G.P.A, to get into certain schools-- that was replaced with the pressure to get the interview, get the job offer at X, Y, or Z bank, or X, Y, or Z consulting firm. It just became another competition.

RATHER (VOICE OVER)

AND THAT COMPETITION IS FACILITATED BY THE SIMPLICITY OF THE APPLICATION PROCESS ... THE OFFICES OF CAREER SERVICES AT MANY COLLEGES WORK HAND-IN-HAND WITH THE BANKS AND CONSULTING FIRMS TO A MUCH GREATER DEGREE THAN MOST OTHER INDUSTRIES ... AT HARVARD, FOR EXAMPLE, MORE THAN 80% OF COMPANIES RECRUITING THROUGH THE SCHOOL'S OFFICE OF CAREER SERVICES IN 2008, CAME FROM THE FIELDS OF FINANCE AND CONSULTING.

AND STUDENTS CAN SUBMIT RESUMES TO ALL OF THOSE JOBS WITH THE SIMPLE CLICK OF A MOUSE.

ALEX HARDY, STUDENT

At Duke they have this database of-- of job listings, called eRecruiting. It's kind of just like a one-stop shop for-- job searching. You can apply to, you know, a job within minutes and-- and use the same resume and apply to another job. So it makes it-- kind of filters all the jobs into-- into one place, which is really convenient.

RATHER (VOICE OVER)

ALEX HARDY IS A SENIOR AT DUKE ... HE SAYS WHEN HE STARTED COLLEGE, THE IDEA OF BEING A CONSULTANT WASN'T EVEN ON HIS RADAR. BUT BY THIS OCTOBER, HE TOO HAD BEEN SWEEPED UP IN THE RECRUITING MANIA ... AND HAD APPLIED TO ABOUT TWO DOZEN CONSULTING FIRMS.

HARDY

It was just a kind of a frenzy, I guess, would be-- would be the best way to describe it. You see, you know, like half your friends walking around in like suits and ties every day. There's just kind of-- not-- not necessarily like a mob mentality; but it's just like everybody's doing it. You know, like what's wrong with you if you don't have a job yet?

EMILY LEVY, FORMER INVESTMENT BANKER

It seemed at the time when we were in college that being in the financial world was kinda the end all, be all. That was the ultimate job, and that was where all the smart people and the competitive people, sort of, ended up. And that was-- kind of, this elite cache of people who could get the greatest jobs.

RATHER (VOICE OVER)

EMILY LEVY ENTERED BROWN UNIVERSITY WITH A COVETED SLOT IN THAT SCHOOL'S EIGHT-YEAR MEDICAL PROGRAM. WITH HER ACCEPTANCE TO MED SCHOOL ALREADY SECURE, SHE DECIDED TO TRY NEW THINGS... SO INSTEAD OF INTERNING IN A LAB OR A HOSPITAL ... SHE SPENT THE SUMMER BEFORE HER SENIOR YEAR AT AN INVESTMENT BANK -- LEHMAN BROTHERS.

LEVY

There was so much money floating around and so much excitement and so many deals happening that it was almost like they couldn't spend money on us fast enough. And we didn't really work long hours. It was kind of a false sense of what the job was really like. But I loved it. It was so exciting. I loved being in New York. I loved being surrounded by young smart people. And there was just this-- this-- this thrill that-- I-- I had never really gotten anywhere else.

RATHER (VOICE OVER)

BUT REAL LIFE ON WALL STREET, WAS FAR FROM WHAT LEVY HAD ANTICIPATED:

LEVY

The job itself clearly wasn't full of wining and dining. It was very long hours, very treacherous. I would be there till two, three o'clock in the morning, spend-- spent many nights overnight there-- making books and just waiting for changes. And it really was like- like being a little monkey of just not really putting that much thought or insight into what I was doing. And I finally just hit a point where I just couldn't do it anymore. And I really just had to-- had to end it because I was so miserable.

RATHER (VOICE OVER)

AFTER LEAVING LEHMAN BROTHERS, LEVY BEGAN A NEW FINANCE JOB, BUT SHE ALSO TOOK ON A SIDE PROJECT -- TUTORING CHILDREN WITH LEARNING DISABILITIES.

LEVY

So let's say, for instance, the topic was music which was actually one that you came up with.

RATHER (VOICE OVER)

SOON SHE HAD SO MANY TUTORING CLIENTS; SHE NO LONGER NEEDED HER DAY JOB. FIVE YEARS LATER, LEVY NOW RUNS A TUTORING COMPANY WITH 65 EMPLOYEES ...

LEVY

I think that there's just something so unique about finding a passion and pursuing it and not just following a career path because you started something and you wanna finish it. Or because everybody else is doing it. Or because it seems like the best and the brightest of all people are following this path. It's really about really listening to yourself, and going within. And-- and really thinking about what do I want to be doing? What is my passion? And then, doing whatever you can to really fulfill that passion, and to become an expert in that-- that area, that field that you have such-- a zest for.

RATHER (VOICE OVER)

EVENTUALLY MAGGIE PISACANE ALSO DECIDED THAT INVESTMENT BANKING WASN'T FOR HER. SHE'S NOW A LAWYER, BUT SAYS SHE CHOSE THIS CAREER NOT BECAUSE SHE DREAMED OF PRACTICING LAW, BUT RATHER BECAUSE SHE PERCEIVED THAT BEING A LAWYER MEANT YOU WERE A SUCCESS.

SHE NOW QUESTIONS WHETHER HARVARD COULD HAVE PUSHED HER HARDER AS A STUDENT TO TAKE MORE RISKS, AND PURSUE HER TRUE PASSION -- WHATEVER THAT MAY BE...

PISACANE

Y'know, to some extent, I think the schools are to blame for this pressure to become part of Wall Street. And I wonder if part of that is 'cause there is a perverted incentive system for schools to be able to say, "X percent of our class either has employment, has-- are employed at X top-tier banks, X top-tier consulting firms." I wonder if that becomes almost a marketing tool for undergraduate institutions. And if that almost becomes a-- one of the reasons why they don't necessarily-- or at least at that time, did not push you to explore other-- other options.

RATHER

And that's a question, not a conclusion, on your part.

PISACANE

It's a question. Because I don't actually know if Harvard actually publicizes -- what percentage of their graduating seniors has jobs.

RATHER

Your point's well taken. That if the salaries are top-of-the-line, you might not have to advertise too much if word got around.

PISACANE

Right. Well, and also I think that the counterpoint to that is the fact that if people are earning salaries that are hundreds of thousands of dollars, then perhaps they'll have more disposable income to give back to their alma mater. So I-- I mean, this might be a little bit of a conspiracy theory. I don't-- I don't know if it's that well thought out. But I do wonder if there is that element at play.

RATHER

I'm not gonna ask you what you made. But can you give me a range? A range from start to your best year?

PISACANE

As a second-year associate I made around \$150,000, including bonus and base salary.

RATHER (VOICE OVER)

OF COURSE, GIVEN WALL STREET'S MELTDOWN THIS FALL, FEWER STUDENTS WILL MANAGE TO SNAG HIGH-PAYING JOBS ... BUT PROFESSOR GARDNER THINKS TODAY'S SLUMPING ECONOMY MIGHT BE AN OPPORTUNITY TO CHANGE SOME LONG-TERM TRENDS.

RATHER

If someone comes to you and says, "Professor, I need to make money. And I want to make money. And I don't consider it selling out. And I-- so what's wrong with me getting a good college education in a place like Harvard or NYU, and going to the highest bidder?"

GARDNER

I have to admit that I am not particularly persuaded by the argument that you need to make as much money as fast as possible. Because it seems to me, especially with young people there are two other things. One is, what do you love? What are you passionate about? Because that's the engagement issue. And the other is, what are your-- what are your responsibilities to the wider society? The society in which you live.

RATHER (ON CAMERA)

WHEN WE COME BACK, WE'LL GIVE YOU A LOOK AT ONE ORGANIZATION THAT'S HELPING STUDENTS ADDRESS THEIR SOCIAL RESPONSIBILITIES. AND SURPRISINGLY, IT'S NOW GIVING WALL STREET A RUN FOR ITS MONEY.

WHIZ KIDS:

RATHER (ON CAMERA)

WELCOME BACK. WE'VE REPORTED TONIGHT ABOUT THE LARGE NUMBERS OF COLLEGE GRADUATES FROM THE SO-CALLED ELITE SCHOOLS WHO HAVE BEEN HEADING FOR LUCRATIVE JOBS ON WALL STREET. AND WE'VE SEEN HOW BIG WALL STREET FIRMS, WORKING WITH UNIVERSITIES, HAVE USED A RECRUITING SYSTEM AS A PIPELINE FOR EMPLOYEES. BUT WITH THE ECONOMY NOW WORSENING AND A GROWING SENSE OF SERVICE AMONG COLLEGE STUDENTS, ONE ORGANIZATION HAS EMERGED USING THAT SAME RECRUITING SYSTEM FOR A VERY DIFFERENT PURPOSE AND IT'S BECOME ONE OF THE HOTTEST JOBS FOR THIS YEAR'S GRADUATING CLASS.

GRACE PAN, TEACHER

This is confusing, right? Number 10? Most people didn't get that. We'll go over that during the "Do Now."

RATHER (VOICE OVER)

TEACH FOR AMERICA IS A PROGRAM THAT TAKES TOP COLLEGE GRADS AND PLACES THEM AS TEACHERS FOR TWO YEARS IN STRUGGLING, URBAN AND RURAL PUBLIC SCHOOLS ACROSS THE U.S.

TEACHER

You are going to be creating five Jeopardy-like questions...

RATHER (VOICE OVER)

IT'S A NOBLE CAUSE AND IT'S RECENTLY EXPLODED IN POPULARITY -- THEY'VE RECEIVED AN ASTOUNDING 525 PERCENT INCREASE IN APPLICATIONS BETWEEN 2000 AND 2008. AND AMAZINGLY, IT'S ATTRACTING MANY OF THE SAME STUDENTS WHO ARE ALSO CONSIDERING BUSINESS CAREERS ...

PAN

Your first example is $4r^3$ to the fourth...

RATHER (VOICE OVER)

GRACE PAN GRADUATED FROM THE UNIVERSITY OF MICHIGAN IN 2007 WITH A DEGREE IN FINANCE AND MANAGEMENT.

PAN

Most of my friends who graduated with me at the University of Michigan are, I would say, 85 to 90 percent all in some sort of finance, or some sort of consulting.

RATHER (VOICE OVER)

PAN ALSO WORKED ON WALL STREET – FOR TWO SUMMERS – BUT WHEN IT CAME TIME TO CHOOSE HER FIRST-FULL TIME JOB, SHE CHOSE TEACH FOR AMERICA.

PAN (In class)

Somebody, please, remind the class what like terms are...

PAN

I think for my parents it was a bit of a shock because business was the path that I had been wanting to take since I was very young. I think that, over the past few months and years, they have really seen how much this program has helped me grow.

PAN (In class)

Who can multiply the coefficients? HmMMM... Jimmy!!

PAN

Being part of Teach for America is absolutely the best decision that I could have made in college.

RATHER (VOICE OVER)

DESPITE LOW STARTING SALARIES, TEACH FOR AMERICA CONTINUES TO GROW ... THIS YEAR, APPLICATIONS ARE ALREADY UP 40 PERCENT COMPARED TO LAST YEAR.

RATHER

Well, this is not a test. It won't be a grade. But what percentage of the students graduating Harvard would even attempt to go into Teach For America?

GARDNER

Well, we know that. It's about ten percent.

RATHER

About ten percent?

GARDNER

Yeah. And that's-- that's very significant. Because there-- there's almost nothing else where ten percent goes. Except the-- for Wall Street.

RATHER

And Wall Street sometimes would get what? Thirty percent of more of the graduates?

GARDNER

There's some-- some debate about this. The Crimson, which is the Harvard newspaper, reported a couple of years ago that of those who didn't go on directly to professional schools, 58 percent went into what they broadly called the finance industry.

RATHER

Fifty-eight percent?

GARDNER

Fifty-eight percent. And this figure was widely quoted. When the office of career plans denied this-- people then asked to have access to the correct information. And as far as I know-- nobody's ever given out all the information. Which I think suggests a degree of embarrassment-- about what the actual fact of the matter is.

RATHER (VOICE OVER)

THE RISE OF AN ORGANIZATION LIKE TEACH FOR AMERICA CAN PARTLY BE ATTRIBUTED TO THE DECLINING ECONOMY BUT ALSO TO A GROWING DESIRE TO "GIVE BACK" ESPECIALLY IN THIS ELECTION YEAR WHEN BOTH PRESIDENTIAL CANDIDATES SPOKE ABOUT THE IMPORTANCE OF SERVICE.

JOHN MCCAIN, PRESIDENTIAL CANDIDATE

We need to encourage programs such as Teach for America.

RATHER (VOICE OVER)

DUKE'S WILLIAM WRIGHT-SWADEL SAYS THAT THE REASON TEACH FOR AMERICA IS SUCH A COMPETITIVE ALTERNATIVE IS THAT THEY USE THE SAME RECRUITING TACTICS AS THE BIG BOYS ON WALL STREET.

WRIGHT-SWADEL

Because of scale and because of the numbers of students they're looking to attract, they've been able to employ a recruiting strategy that mirrors what you would find in a consulting firm or an investment bank or an engineering firm. And they have done a very good job of marketing themselves, of positioning themselves, creating brand on campus, and really getting to know the individual campuses where they recruit.

RATHER (VOICE OVER)

THE INTENSE INTEREST IN TEACH FOR AMERICA IS EVIDENCE THAT STUDENTS ARE EAGER TO CAST THEIR NETS WIDELY ... WRIGHT-SWADEL SAYS HE AND HIS COLLEAGUES HAVE BEEN WORKING TO DIVERSIFY THE OPPORTUNITIES AVAILABLE TO DUKE STUDENTS, ESPECIALLY GIVEN TODAY'S ECONOMY... AND THOSE OPPORTUNITIES ARE SOMETHING THAT HOWARD GARDNER STRONGLY ADVISES STUDENTS TO CONSIDER ...

GARDNER

When you go to a university, if you run into a lot of pressures from what you see other people do, the nice summer with a comfortable apartment, and high salary, the promise of a job after you graduate-- it's very, very hard to say, "Well, I'm gonna turn my back on this and try something else." I guess that's my goal as an educator, is to increase the options, so when you do make choices about what to learn and how to think you make an informed choice and not just ones that have been brain-washed into you.

RATHER (VOICE OVER)

IT'S A GOAL SHARED BY ANOTHER VERY INFLUENTIAL EDUCATOR -- THE NEW PRESIDENT OF HARVARD, DREW GILPIN FAUST.

RATHER

Well, isn't there some simple explanation of why so many students choose to go in this one particularly career path?

DREW FAUST, HARVARD PRESIDENT

We have two economists-- Larry Katz and Claudia Golden, in our department of economics. And they proposed that the question we should be asking is actually why more students haven't done this because, on so many levels, it is such a rational choice. The financial rewards are large. The prestige is large. And the recruiting process at Harvard and at other universities is so efficient that it's quite easy to find your way through that recruiting process and-- and qualify for a job if, indeed, you do qualify.

RATHER

I'd be interested. Your field is history. If a history student at Harvard came to you - and said, "Doctor, I've majored in history. I can become a history professor. I can-- go in Africa or Asia and do some, quote 'good work.' Or I can go to work on Wall Street and within a few years be making more than a million. Tell me why I shouldn't take the money and why that won't lead necessarily to a meaningful life and a life of happiness."

FAUST

I would certainly not say to that student it can't lead to meaningful life. I think I would, in that conversation, ask questions about what makes your heart sing? What are you good at?

RATHER

And if that student, the hypothetical student said to you, "Doctor, what makes my heart sing is money," you would say what?

FAUST

What would I say to that? And what's money for? I-- is what I'd say to that. What do you want that money for? And why does that make your heart sing? There was a series in the Crimson, which is the undergraduate newspaper at Harvard, last year about career choices. And I remember one of these in particular was a profile of a student who had come to Harvard under our-- very generous financial aid policy. And his family had really never had any means. And he was the success in the family. And he came to Harvard-- not knowing what he wanted to do. And he quite quickly decided that he wanted to go into financial services and make a lot of money.

But he spoke very eloquently about how he was a lifeline for the rest of his family. He would be able to provide resources for brothers and sisters and others that had never been available to them before. That was a pretty compelling-- statement, an interesting perspective as we broaden the scope of who's included in our undergraduate student body. I think these choices take on different meanings.

RATHER (VOICE OVER)

THOSE CHOICES, AND THEIR MEANINGS, ARE SOMETHING FAUST THINKS ALL HARVARD STUDENTS SHOULD CONTEMPLATE. AND SO... IN HER FIRST BACCALAUREATE ADDRESS TO HARVARD'S GRADUATING SENIORS LAST SPRING, FAUST DIRECTLY TACKLED THE VERY TOPIC OF WHY SO MANY STUDENTS CHOOSE TO PURSUE FINANCE AND CONSULTING AFTER GRADUATION.

RATHER

Why did you make that particular address at that particular time?

FAUST

This question kept coming up again and again. And so I thought this is a moment when I can talk to them about what I've been hearing from them and what seems to matter to them. And the question that they asked me over and over was why are so many of us going into financial services, going to Wall Street. And I found that a very curious question because why were they asking me this question? And also, why were they doing it? It seemed there were two parts.

RATHER

And what did you conclude about why they were asking the question?

FAUST

Well, on one level, I think they were asking permission from me to perhaps think more broadly about a life might mean. I think they were expressing some doubts about the different kinds of priorities they saw in their lives and about whether this was going to be a meaningful life. They felt it was gonna be a conventionally successful path. But I think they have very high expectations of themselves. And we encourage those expectations. We tell them "You will change the world. You will make a contribution." And they were asking themselves what might that contribution be? And what might they not be thinking of by making a choice to go into the-- the financial industry.

RATHER

What was the reaction to that graduation speech?

FAUST

It was very positive. The students thanked me for it. I ran into a student a couple of weeks ago who said several of his classmates changed their career pa-- plans. That made me a little nervous. It was just a speech. They did it right away? My goodness. But I think they felt I was listening to them. I think that was important, that I talked about something they had been saying to me and something they'd been thinking about.

RATHER

So when you sat down to write, tell me what you wrote and eventually said.

FAUST

I began that part of my talk by saying that I thought what they were asking me about in code was, "What about the meaning of life? And what is it that I really wanna do with my life? And how can I make sure that I address the big questions that we're a little embarrassed to ask about through much of our daily lives and yet matter so much to all of us?" And to be critical of themselves and to make sure that they follow Plan A to begin with, that they really did what their heart told them to do before they gave up on it as a possibility. If they wanted to be a writer or they wanted to undertake some area of public service that they couldn't figure out how to get into exactly, don't give up. Don't just fall back into a default choice. Push your most valued choice and make sure you live that kind of life.

RATHER (ON CAMERA)

HARVARD UNIVERSITY PRESIDENT DREW GILPIN FAUST.

WE'VE BEEN REPORTING ON HOW A GENERATION OF AMERICA'S BEST AND BRIGHTEST STUDENTS Poured INTO THE WORLD OF FINANCE – A WORLD NOW

IN GLOBAL COLLAPSE. WHAT IF MORE HAD GONE INTO THE SCIENCES AND TECHNOLOGY – WHAT MIGHT THAT HAVE LOOKED LIKE?

IT TURNS OUT THAT HALFWAY AROUND THE GLOBE, THERE IS A COUNTRY THAT BUILT A VIBRANT ECONOMY ON THE BASIS OF ITS BEST YOUNG MINDS DOING EXACTLY THAT. BUT THIS COUNTRY IS MOSTLY IN THE NEWS FOR DIFFERENT REASONS.

ISRAEL CELEBRATED ITS 60TH BIRTHDAY THIS YEAR. AND WHILE IT'S CONFLICTS WITH ITS NEIGHBORS REMAIN A CAUSE OF INTERNATIONAL CONCERN, IT'S QUIETLY BEEN BUILDING ONE OF THE WORLD'S STRONGEST ECONOMIES BY INVESTING IN WHAT IT CONSIDERS ITS BEST NATURAL RESOURCE: ITS PEOPLE.

SILICON WADI:

RATHER (VOICE-OVER)

THE ISRAEL OF POSTCARDS AND NEWS REPORTS IS ONE OF MEDITERRANEAN BEACHES, YOUNG SOLDIERS AND RELIGIOUS CONFLICT. BUT FEW TOURISTS OR JOURNALISTS TRAVEL HERE, TO ISRAEL'S HIGH-TECH HEARTLAND JUST OUTSIDE OF TEL AVIV. THE ISRAELIS CALL THIS PLACE SILICON WADI, FROM THE ARABIC WORD FOR VALLEY. AND IT'S NOW HOME TO THOUSANDS OF STARTUP COMPANIES THAT HAVE PIONEERED INSTANT MESSAGING SOFTWARE, MISSILE DEFENSE SYSTEMS, AND CUTTING EDGE MEDICAL TREATMENTS.

NILES FLEISCHER, VICE PRESIDENT OF BUSINESS AND PRODUCT DEVELOPMENT FOR NANOMATERIALS

Israel's invested heavily in science essentially because we have no natural resources.

RATHER (VOICE OVER)

NILES FLEISCHER IS VICE PRESIDENT OF BUSINESS AND PRODUCT DEVELOPMENT FOR NANOMATERIALS LTD. THEIR SIGNATURE PRODUCT IS A LUBRICANT THAT MAKES CAR ENGINES MORE EFFICIENT. FLEISCHER MOVED TO ISRAEL FROM THE UNITED STATES 25 YEARS AGO AT THE BEGINNING OF ISRAEL'S TECH BOOM.

FLEISCHER

Many immigrants to Israel come because of Anti-Semitism. I came here because I saw a great opportunity, especially in the high tech field.

RATHER (VOICE OVER)

HIS COMPANY'S TECHNOLOGY IS BEING APPLIED TO EVERYTHING FROM BULLETPROOF VESTS TO FLAT-PANEL TELEVISIONS. EVEN THE U.S. ARMY IS NOW CALLING. AND A TECH JOURNAL NAMED THE COMPANY ONE OF THE MOST INNOVATIVE IN THE WORLD.

FLEISCHER

Israel, I think is second only to Silicon Valley or to the United States, in terms of venture capital investments and venture capital funds, in terms of the number of high tech start-ups. And this is amazing, because if you look at our population of just a little over six million or so, there's about 2,000 high tech start-ups here.

RATHER (VOICE OVER)

ISRAEL SPENDS A HIGHER PERCENTAGE OF ITS GDP ON SCIENCE AND TECHNOLOGY THAN ANY OTHER COUNTRY IN THE WORLD. AND THE WORLD'S BIGGEST NAMES ARE SETTING UP SHOP HERE. AMERICAN INVESTOR WARREN BUFFETT BOUGHT AN ISRAELI PRECISION METALWORKING COMPANY IN 2006, HIS FIRST INVESTMENT IN A NON-AMERICAN COMPANY. ISRAEL HAS MORE SCIENTISTS AND ENGINEERS PER CAPITA THAN ANY OTHER COUNTRY. MANY CREDIT AN INFLUX OF EDUCATED IMMIGRANTS FROM THE OLD SOVIET UNION, A HIGH-TECH MILITARY WHERE MOST ISRAELIS MUST SERVE AND A STRONG EDUCATIONAL SYSTEM. A SHINING EXAMPLE OF THAT EDUCATIONAL SYSTEM IS THE WEIZMANN INSTITUTE OF SCIENCE. IT'S A WORLD-FAMOUS GRADUATE SCHOOL FOCUSED ON SCIENCE, AND IT'S CAMPUS OF NEARLY 3,000 STUDENTS AND STAFF BUZZES WITH INTELLECTUAL ENERGY.

DEBBIE FASS, BIOLOGIST, WEIZMANN INSTITUTE

Not only is the scientific society in Israel generating products and tools and techniques and useful things. It's also generating brainpower as a commodity. And that brainpower's being exported all throughout the world.

RATHER (VOICE OVER)

DEBBIE FASS IS AN AMERICAN-BORN BIOLOGIST AT WEIZMANN WHO STUDIES PROTEINS, INCLUDING THOSE INVOLVED IN HIV. SHE SAYS HER ATTRACTION TO ISRAEL WAS THE TRADITION OF INVESTING IN YOUNGER SCIENTISTS.

FASS

Another factor that fosters innovation in Israel is that fact that younger scientists, in general are given extra support. I definitely experienced that as a new scientist in Israel that I was encouraged and supported and funded for my ideas-- at an early stage, before I had really proved

myself as an independent investigator. In other countries, science is a more mysterious endeavor, slightly suspect. And in Israel, there's a great trust in science from the general populace. People appreciate science as something that could potentially benefit their lives.

RATHER (VOICE OVER)

THE WEIZMANN INSTITUTE IS A GOOD YARDSTICK FOR MEASURING ISRAEL'S RELATIONSHIP TO SCIENCE AND TECHNOLOGY. IT WAS FOUNDED BY CHAIM WEIZMANN - A WORLD-FAMOUS CHEMIST - IN THE 1930s, BEFORE THE COUNTRY OF ISRAEL WAS OFFICIALLY ESTABLISHED. WEIZMANN WOULD BECOME ISRAEL'S FIRST PRESIDENT - MERGING SCIENCE AND STATECRAFT AT THE NATION'S BIRTH. IN RECENT YEARS THE INSTITUTE HAS BECOME A WORLD LEADER IN MANY FIELDS. AND I TALKED ABOUT THAT WITH WEIZMANN'S PRESIDENT, DANIEL ZAJFMAN, A BELGIAN-BORN PHYSICIST, ON ONE OF HIS RECENT TRIPS TO THE UNITED STATES.

RATHER

What would you consider to be the most important accomplishment of the institute so far?

DANIEL ZAJFMAN, PRESIDENT, WEIZMANN INSTITUTE

One is not a scientific accomplishment. It's the fact that we have generated for the last 50 years about 25 to 30 percent of all the PhDs of science of the state of Israel. And if the state of Israel has been changing itself from a country exporting oranges 20, 25 years ago to a country exporting technology, one of the reasons is because we have the right people and the right education system to promote these people to a level that they could drive the economy to industry.

RATHER (VOICE OVER)

IN PROMOTING YOUNG SCIENTISTS, ISRAEL MADE A LONG-TERM INVESTMENT THAT IS PAYING OFF. BREAKTHROUGHS AT WEIZMANN HAVE LED TO NUMEROUS APPLIED TECHNOLOGIES. LAST YEAR, WEIZMANN EARNED OVER 200 PATENTS AND \$100 MILLION FOR DISCOVERIES RANGING FROM HIGH SECURITY ENCRYPTION TO DRUGS THAT BATTLE MULTIPLE SCLEROSIS AND CANCER. WHILE THIS MAKES THE WEIZMANN INSTITUTE A DRIVING FORCE IN ISRAEL'S ECONOMY, DR. ZAJFMAN AND THE OTHER SCIENTISTS HERE DON'T APPLY THEIR RESEARCH TO FILL SPECIFIC TECHNOLOGICAL NEEDS OR DEVELOP PRODUCTS.

ZAJFMAN

When people try to support science, they choose a subject. We will support nanotechnology, stem cell research, its fine but that's not the way to act. I think what is really very important at the Weizmann Institute in Israel is the freedom you have to innovate and that's what I think we can maybe teach.

RATHER (VOICE OVER)

REMARKABLY, IN A COUNTRY CONCERNED WITH DAY TO DAY SURVIVAL, THE INSTITUTE IS BETTING ON THE LONG TERM BY DEDICATING ITSELF TO WHAT IS KNOWN AS BASIC RESEARCH.

ZAJFMAN

Basic research or curiosity driven research is about finding answers to questions you cannot even ask. Just to give an example, nobody's ever sit and tries to discovers x-rays, because you cannot ask, I want to discover x-rays. I mean you could not even dream that x-rays exist, so how can you make discoveries for which you have no questions? And the way you do that is by being curious about nature as we try to understand what nature about, and that's how x-rays were discover. So the Weizmann Institute is about looking into nature to try to see what we don't understand, be curious about this phenomenon, and out of this curiosity and the discoveries that we made find new opportunities for the benefit of humanity. It is building the foundations so that other ones can build very tall buildings.

RATHER (VOICE OVER)

AND THE FOUNDATIONS THE WEIZMANN INSTITUTE HAS BUILT IN BASIC RESEARCH HAVE EARNED IT THE RESPECT OF SCIENTISTS AROUND THE GLOBE. BUT STILL, OPERATING IN ISRAEL POSES UNIQUE CHALLENGES.

RATHER

What are the benefits and struggles of being headquartered in Israel? Why be there?

ZAJFMAN

Well, why be there is a much bigger question than uh-- the Weizmann Institute has to do with the survival of the Jewish people and that's my personal opinion. It is about a thousand times, I would go back to this factor, one thousand times more difficult to run a scientific institution with the level of The Weizmann Institute in Israel than it is to run in New York and I'll tell you why. It's not about money and it's not about investment, it's about people. Given the geopolitical situation of the state of Israel, when we are looking for scientists our pool of talent is limited to

seven million people. That's the Israelis. If you're sitting in New York and Boston and you're looking for the next scientist, the pool of talent is seven billion people. From the whole planet. An extremely good scientists would come to you, NYU or MIT or, or Harvard because it is the United States and you can afford and he can afford to live there. Coming to Israel require some kind of commitment not only to the science but to the country. I would say that this is probably the best investment you can make for the future of the state of Israel, science and the Weizmann Institute among, among, you know as part of the scientific infrastructure to Israel. And that's what the Weizmann Institute is really about.

RATHER

Well especially as a scientist, you recognize the difference between hope and a realistic assessment. Keeping that in mind, are you optimistic about Israel's future?

ZAJFMAN

Yes, I mean there is no other way to look at this. If you're not optimistic then you won't fight for it, fight for its existence, and fight for its survival. So definitely the answer is yes.

RATHER (ON CAMERA)

WHILE DR. ZAJFMAN SAYS HE'S OPTIMISTIC ABOUT THE FUTURE OF ISRAEL AND SCIENCE, HE IS WORRIED THAT THE COUNTRY MAY BECOME A VICTIM OF ITS OWN SUCCESS. AS SCIENTISTS THERE BECOME MORE FAMOUS, UNIVERSITIES IN THE UNITED STATES AND EUROPE ARE TRYING TO LURE THEM TO THEIR CAMPUSES. ONE IN TEN ISRAELI SCIENTISTS IS ALREADY MOVING ABROAD.

WHEN WE RETURN, WE'LL TAKE YOU TO GALVESTON, TEXAS WHERE THEY'RE DEBATING IF AND IF SO HOW TO REBUILD AFTER THE LATEST DEVASTATING HURRICANE. YOU'LL WANT TO SEE IT SO STAY HERE WITH US.

GALVESTON:

RATHER (ON CAMERA)

NEXT WE TAKE A LOOK AT A CITY BUILT ON AN ISLAND – GALVESTON, TEXAS - ONCE AMONG THE RICHEST, MOST SPLENDID CITIES IN AMERICA. THREE MONTHS AGO, HURRICANE IKE TORE THROUGH GALVESTON, LEAVING BEHIND A HEARTBREAKING TRAIL OF DESTRUCTION. I'VE COVERED HURRICANES IN TEXAS SINCE MY EARLIEST DAYS AS A REPORTER, AND I KNOW FIRST-HAND THE TERRIBLE TOLL A STORM LIKE THAT CAN TAKE. AT THE SAME TIME, AS GALVESTON AND THE SURROUNDING COMMUNITIES GRAPPLE WITH THE STORM'S AFTERMATH – SOME PEOPLE ARE ASKING SERIOUS QUESTIONS ABOUT

THE CONSEQUENCES OF OUR COUNTRY'S LOVE AFFAIR WITH LIVING BY THE WATER.

A.R. LUCAS

It's eerie. When you've got that low growling, howling wind and then all of a sudden something will go blowing across the porch, fly by, and slam up against things ...

RATHER (VOICE OVER)

DEPENDING ON HOW YOU LOOK AT IT, A.R. LUCAS IS EITHER VERY BRAVE - OR JUST PLAIN CRAZY. LUCAS WAS ONE OF THOSE WHO DECIDED LAST SEPTEMBER TO RIDE OUT HURRICANE IKE ON GALVESTON ISLAND, WHICH LAY DIRECTLY IN THE PATH OF THE STORM. IKE WAS ONE OF THE LARGEST AND MOST DESTRUCTIVE HURRICANES ON RECORD. ALONG WITH FEROCIOUS WINDS AND WAVES, IT BROUGHT A TREMENDOUS SURGE OF WATER – UP TO 15 FEET HIGH – THAT FLOODED MUCH OF THE CITY. IN MANY PARTS OF GALVESTON, IT LOOKS LIKE THE STORM JUST HIT YESTERDAY. THE CLEAN-UP AND REPAIRS WILL CONTINUE FOR A LONG TIME TO COME. THIS IS ALL VERY FAMILIAR TO GALVESTON RESIDENTS. TIME AND AGAIN, TROPICAL STORMS HAVE SLAMMED INTO THIS NARROW ISLAND – ONLY 32 MILES LONG, AND A COUPLE OF MILES WIDE. AFTER EVERY STORM COMES A BURST OF OPTIMISM FROM THE LOCAL RESIDENTS - A DETERMINATION TO COME BACK EVEN STRONGER THAN BEFORE. LUCAS HAS A TYPICAL UPBEAT ATTITUDE, EVEN THOUGH IKE TOOK AWAY HIS BUSINESS . . . AND MUCH MORE. BUT ONE THING IT DIDN'T TAKE WAS HIS FAITH IN HIS HOMETOWN.

LUCAS

There's a lot of good, hard-working people...here on the island that have, you know, really put their heart and soul into it. It's gonna come back. That's all there is to it.

RATHER (VOICE OVER)

BUT WILL IT? GALVESTON FACES SOME STEEP CHALLENGES. IN SOME NEIGHBORHOODS, YOU SEE BLOCK AFTER BLOCK OF HOMES DESTROYED BY HIGH WINDS AND WATER - MOLD AND MILDEW. MANY OF THE HOUSES WILL BE CONDEMNED – TO COMPLY WITH STRICTER BUILDING CODES THEY MAY HAVE TO BE ELEVATED, AND REBUILT ON STILTS. AND THAT'S EXPENSIVE. THE FACT IS, MANY OF THESE PEOPLE WON'T BE COMING BACK ANYTIME SOON.

GALVESTON'S MAYOR HAS ASKED FOR MORE THAN TWO BILLION DOLLARS IN FEDERAL AID FOR RECOVERY AND RECONSTRUCTION. THAT'S ON TOP OF WHAT THE GOVERNMENT IS ALREADY SPENDING TO UNDERWRITE FLOOD INSURANCE AND PAY FOR EMERGENCY RELIEF. AND NOW, FOR THE FIRST TIME, HARD QUESTIONS ARE BEING ASKED ABOUT WHETHER IT MAKES SENSE TO REBUILD AND INVEST IN A CITY THAT'S SO VULNERABLE.

FRED KRIMGOLD, EXPERT

We go-- to the beach and we say, "We love it here. It's a great place. Let's retire here. Let's live here all the time. Or let's be here as much as we can. And that's based on a nice sunny day and a beautiful experience. And it's not based on an understanding of what it looks like when there's a 100 mile per hour gale coming in at you ...

RATHER (VOICE OVER)

FRED KRIMGOLD IS A PROFESSOR AT VIRGINIA TECH AND AN EXPERT IN RISK REDUCTION WHO HAS STUDIED NATURAL DISASTERS ALL OVER THE WORLD.

KRIMGOLD

The idea of coming back stronger in a place you shouldn't be isn't such a good idea. I think that the, "Go, go, go, go, go," is feasible as long as there is subsidy, subsidy, subsidy.

RATHER (VOICE OVER)

ACCORDING TO KRIMGOLD, THE PROPERTY DAMAGE ALONE FROM HURRICANE IKE COULD BE AS HIGH AS 18 BILLION DOLLARS.

KRIMGOLD

We can't continue to absorb that kind of loss. We can't expect the federal government to bail out that kind of loss-- over time. That is, if you take a risk in where you build in Galveston and you know that if that gets blown away, or if it gets washed away, you are responsible and it's your bill to pay.

RATHER (VOICE OVER)

SO WHY DO WE KEEP REBUILDING IN PLACES WE KNOW ARE GOING TO GET SLAMMED AGAIN BY STORMS – AND SPENDING PUBLIC MONEY TO DO IT?

BEFORE WE GET TO THAT, LET'S GO BACK TO THE NIGHT WHEN LUCAS DECIDED TO IGNORE THE MANDATORY EVACUATION ORDER AND WAIT OUT HURRICANE IKE IN HIS SHOP. ONLY A BLOCK FROM THE BEACH, LUKE'S DELI HAD BEEN A LOCAL GATHERING SPOT SINCE HIS FATHER OWNED IT IN THE 1960'S . . .SERVING BBQ, BAIT, AND BIG HELPINGS OF ISLAND HOSPITALITY. LUCAS SPENT MUCH OF THAT NIGHT KEEPING WATCH BY FLASHLIGHT AS THE WATER LEVEL ROSE.

LUCAS

We watched it come across the parking lot. And it kept getting deeper and deeper and then it finally started creeping in the doors, and then after a while it was just slowly climbing in the store.

RATHER (VOICE OVER)

LUCAS FLED TO THE SECOND FLOOR AROUND MIDNIGHT. WHEN DAYLIGHT CAME, THE WATER WAS GONE. SO WAS EVERYTHING IN HIS STORE.

LUCAS

Topsy-turvy. I mean, freezers that have full of product, floated, turned over, ice cream laying on the floor. Everything crashed, spilling out of-- windows broken, glass. It was terrible.

RATHER (VOICE OVER)

TWO DAYS LATER, WITH A CUT IN HIS LEG INFECTED FROM THE STORM WATER, HIS WIFE TOOK HIM TO THREE HOSPITALS BEFORE FINDING ONE THAT WOULD TREAT HIM. BY THEN IT WAS TOO LATE – HIS LEG HAD TO BE AMPUTATED. BUT LUCAS HASN'T LOST WHAT HE CALLS THE GALVESTON SPIRIT –

LUCAS

We hunker down for the-- the rough part of it. Now it's time to get back and get squared away. But I really believe we're gonna be able to do that. Just diehard attitude.

RATHER (VOICE OVER)

WE FOUND THAT DIEHARD ATTITUDE EVERYWHERE WE WENT ON THE ISLAND.

LYDA ANN THOMAS, MAYOR

I'm very very optimistic. We've come back from storm after storm after storm...

RATHER (VOICE OVER)

LYDA ANN THOMAS IS THE MAYOR OF GALVESTON - AND YOU JUST MIGHT SAY THAT OPTIMISM RUNS IN HER BLOOD. HER GRANDFATHER, ISAAC KEMPNER, LED THE CITY'S RECOVERY IN SEPTEMBER 1900 WHEN AN ENORMOUS HURRICANE NEARLY WIPED OUT THE WHOLE ISLAND. AT LEAST 6,000 PEOPLE WERE KILLED IN THAT STORM. IT IS STILL CONSIDERED THE WORST NATURAL DISASTER IN U.S. HISTORY. BEFORE THAT STORM, GALVESTON HAD BEEN A MAJOR PORT CITY, THE CROWN JEWEL OF THE TEXAS COAST ... WEALTHY AND SOPHISTICATED ... THE MOST IMPORTANT CITY IN AMERICA BETWEEN NEW ORLEANS AND SAN FRANCISCO. AFTER THE 1900 STORM, WHEN THE CITY WAS IN SHAMBLES ... PEOPLE RECOGNIZED JUST HOW VULNERABLE IT WAS, AND A SHIP CHANNEL WAS BUILT 50 MILES INLAND. ... SENDING MOST OF THE REGION'S COMMERCIAL ACTIVITY TO HOUSTON. BUT GALVESTON'S LEADERS REFUSED TO ABANDON THEIR CITY. STORM AFTER STORM THE CITY HAS PICKED ITSELF UP AND COME BACK.

STAN BLAZYK, HISTORIAN

The major storms that have impacted Galveston would be the 1900 storm, July 1909 storm, the August 1915 storm, the July 1933 storm . . .

RATHER (VOICE OVER)

STAN BLAZYK IS A HISTORIAN WHO LIVES IN GALVESTON AND HAS STUDIED ITS WEATHER PATTERNS. HE RECITES FROM MEMORY THE IMPORTANT STORMS THAT HAVE STRUCK GALVESTON IN THE LAST CENTURY.

BLAZYK

October storm in 1949, Hurricane Audrey in June of 1957, Hurricane Carla, September 1961 . . .

RATHER (VOICE OVER)

AND WHILE EACH STORM PRESENTED ITS OWN CHALLENGES, HURRICANE IKE WAS BY FAR THE MOST DESTRUCTIVE SINCE THE GREAT STORM OF 1900.

THOMAS

I think Galveston is-- is probably in-- in worse shape now than we were in 1900. Now we didn't suffer the same loss of life, but economically, I think the impact is gonna be greater than it was then. The town is larger. People expect more. There are more services that have to be provided.

RATHER (VOICE OVER)

THE CITY – TOGETHER WITH FEMA, THE FEDERAL EMERGENCY MANAGEMENT AGENCY – HAS BEEN SURVEYING DAMAGED PROPERTIES – TRYING TO DECIDE WHERE AND HOW IT MAKES SENSE TO REBUILD. WHAT TO DO, FOR EXAMPLE, ABOUT THE FOUR PUBLIC HOUSING PROJECTS THAT FLOODED - AND WERE CONDEMNED. THE RESIDENTS ARE NOW LIVING IN HOTELS AND TEMPORARY HOUSING. THE UNIVERSITY OF TEXAS MEDICAL BRANCH - THE BIGGEST EMPLOYER ON THE ISLAND – HAD MORE THAN \$700 MILLION DOLLARS IN STORM DAMAGE ... AND LAID OFF 20 PERCENT OF ITS WORKFORCE. BEFORE IKE, GALVESTON HAD A POPULATION OF 60 THOUSAND. ABOUT A THIRD OF THEM HAVE NOT RETURNED.

JOHN ANDERSON, GEOLOGIST

The city of Galveston's kind of a unique city. It's, of course, a large city. It's built on a barrier island. Barrier islands have very unstable features.

RATHER (VOICE OVER)

JOHN ANDERSON IS A COASTAL GEOLOGIST WHO TEACHES AT RICE UNIVERSITY IN HOUSTON, AND HAS STUDIED THE ECOLOGY OF GALVESTON ISLAND.

ANDERSON

Much of the population of Galveston is on the east end of the island. The west end is primarily property that's owned by weekend residents. Most of the tax base, in terms of-- property taxes, comes from the west end.

RATHER (VOICE OVER)

BUT THE BOOMING WEST END DEVELOPMENTS ARE BUILT ON LAND THAT'S ERODING YEAR BY YEAR - AS OCEAN CURRENTS SHIFT SAND TO THE EAST. ANDERSON WONDERS WHY THESE HOUSES WERE ALLOWED TO BE BUILT SO

CLOSE TO THE WATER IN THE FIRST PLACE.

ANDERSON

Prior to Ike, the beach was about 100 feet in front of these houses. What's happening now is that the property owners are trying to re-elevate their land. You can see behind me here that-- as much as six feet of beach has been removed from under the house. Unfortunately it's a pretty futile exercise. It's like building sand castles on the beach.

RATHER (VOICE OVER)

INEVITABLY, ANDERSON SAYS, GALVESTON IS FIGHTING A LOSING BATTLE WITH THE SEA.

ANDERSON

Well what you're seeing here is a problem that exists up and down the coast. And eventually the tide will come in and Mother Nature's gonna claim what Mother Nature wants to claim.

RATHER (VOICE OVER)

AND SO THE QUESTION IS - WHY DO WE KEEP ENCOURAGING GROWTH ON THE FRAGILE COASTLINE? PERHAPS ONE REASON IS BECAUSE IT'S WHAT WE KNOW HOW TO DO - WE'VE BEEN DOING IT FOR A VERY LONG TIME. JUST TAKE A LOOK AT THIS HEADLINE FROM THE NEW YORK TIMES - AFTER A HURRICANE IN AUGUST 1915 WIPED OUT THE CAUSEWAY THAT CONNECTED GALVESTON TO THE MAINLAND.

KRIMGOLD

The government or the public sector has-- developed an enlightened kind of welfare policy toward disaster relief and disaster recovery-- which is important. People in need need to be helped. But the down side of that is that it has displaced responsibility, so that people have chosen to take greater risks in the belief that they'll be bailed out.

RATHER (VOICE OVER)

AND SO A CITY THAT HAS SURVIVED - AND THRIVED -ALONGSIDE THE OCEAN FOR 170 YEARS FINDS ITSELF AT THE CENTER OF AN IMPORTANT NATIONAL DEBATE.

KRIMGOLD

We cannot continue collectively to absorb the down side of all of these individual risk-taking decisions. We're gonna have to take these kinds of events much more seriously in terms of where we live whether or not it's feasible to put all of our investment right in the path of this oncoming freight train.

RATHER (ON CAMERA)

AS GALVESTON WAITS TO FIND OUT HOW MUCH FUNDING RELIEF WILL COME FROM WASHINGTON - FROM YOU, THE TAXPAYERS - DIFFICULT BUT IMPORTANT QUESTIONS REMAIN ABOUT OUR NATION'S POLICIES TOWARD COASTAL DEVELOPMENT. QUESTIONS THAT ARE INCREASINGLY URGENT AS MORE AND MORE AMERICANS BUILD THEIR HOMES AND COMMUNITIES IN DANGER ZONES NEAR THE WATER'S EDGE. SHOULD WE BE ALLOWING RUNAWAY DEVELOPMENT ON FRAGILE COASTLINES? AND WHEN BIG STORMS HIT THE COAST AND LEAVE BEHIND TREMENDOUS DAMAGE - AS IN HURRICANE IKE, RITA, OR KATRINA - HOW MUCH RECONSTRUCTION SHOULD WE AS A NATION BE WILLING TO PAY FOR? FOR THE MOST PART, LAND USE ALONG THE SHORE IS CONTROLLED BY LOCAL GOVERNMENTS. SOME HAVE CALLED FOR STRICTER NATIONAL POLICIES TO CONTROL DEVELOPMENT. AT A TIME WHEN OUR FEDERAL RESOURCES ARE STRAINED TO THE LIMIT, PERHAPS IT'S TIME FOR SOME FRESH THINKING ABOUT SOME OLD, DANGEROUS, AND COSTLY ASSUMPTIONS.

FOR HDNET, FROM NEW YORK, DAN RATHER REPORTING, GOODNIGHT.