

Trouble or hope?

As promised, this issue focuses on public policy in the United States.

President Obama came to office as an almost inspirational leader. Expectations both within the U.S. and around the world ran high for a presidency that would bring change to Washington and lift America's prospects. What a sobering experience reality has been!

Admittedly, good long term policy decisions are difficult to shepherd through a Congress traditionally focused on daily opinion polls. But President Reagan used his considerable oratorical skill to reach out to public opinion so as to ensure Congress behaved. Obama seems to have these same sorts of skills but has not been willing to use them in support of policy which is capable of defining his presidency in a manner consistent with those early expectations.

Let's examine some specifics.

Thus far, the most important piece of legislation he has endorsed has been the Health Care bill. But what a missed opportunity!

There can be no question the world's richest nation had to address access to its health care system for some 35-to-40-million Americans who had no coverage. However, providing access does not constitute reform. And the U.S. health care system needs that in spades. Its administrative expenses are more than twice those of any other OECD country and it spends almost 40 per cent more on a per capita basis. Surely it would have been appropriate to focus on doing something to control costs before, or at the same time, as admitting a huge new cohort to the system?

Legitimately, you might ask how. Begin with changing incentives. Right now, compensation is based on procedures, not outcomes. So you can guess the result - lots of unnecessary procedures. Beyond that, people have got to become more personally responsible for their health (that is true in Canada as well). America has 20-million diabetics, but some 40-million prospective diabetics, almost all induced by obesity.

Public opinion in the U.S. is increasingly, and rightly so, concerned with fiscal deficits. But the real deficit is well beyond the current estimate of \$1.3- or \$1.4-trillion. The U.S. government plays a unique accounting game by bringing into current revenue all the social security taxes it receives (which, at the moment, are in excess of current expenses) thereby suggesting a surplus exists, which then is

available to offset the size of the deficit. What it should be doing is segregating those taxes so as to offset the future liabilities for which the government is responsible and for which the taxes are being collected. Accounting policies used by the private sector would require it to do so. Why is this material? Because the unfunded liability, valued in present day terms, is some \$6-trillion. Compare that to the approximate \$1-trillion in income taxes the government collects in a year and you can appreciate the size of the problem. What's my point? Simply that if the U.S. reported its economic situation as it should, the public would be considerably more alarmed than it is and Congress would be forced to deal with the situation while it has some options.

Is the news all bad? Happily, no. The administration is tackling another huge policy area head-on and in a constructive way. The public education system, like health care, produces poor outcomes given the economic resources it consumes. Reform is badly needed, particularly given that the economic race to the top, per capita incomes and progressive social policy all depend on future GDP growth which in turn is directly related to the education competencies of the population.

The federal education department has essentially told states (which, as in Canada, are responsible for the grade school system) that federal funding will be tied to progressive reform. These include holding teachers responsible for student grade performance (how revolutionary is that!). They even include tying teacher compensation levels to such performance and extend to forcing improvements or closure of poorly performing schools and the implementation of uniform standards. Good stuff, and definitely a bold step in the right direction.

The President has struggled with a poorly conceived foreign policy agenda. It has not decided whether China is a friend or foe and as a result has struggled with trying to

impose discipline on Iran's nuclear program. Domestic politics have spoiled the President's ability to take centre stage in promoting a global initiative around what to do about climate change.

Success on any of these initiatives requires leadership and statesmanlike qualities. Evidence these, and the President will generate the sort of respect domestically and internationally which are necessary to lead his country and indeed the world through difficult policy decisions.

Let's hope he can deliver. **I ABM**



John Risley

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In addition to his international business interests as president of holding company, Clearwater Fine Foods Inc., John Risley regularly engages in policy debate as a member of the World Presidents' Organization, the Chief Executives Organization and as a director on the Board of the Canadian Council of Chief Executives. Mr. Risley is also a graduate of the Harvard University Presidents' Program in Leadership and Chair of the Canadian Youth Business Foundation. If you have suggestions for topics you would like the Devil's Advocate to address in future columns, send your ideas to: dchafe@atlanticbusinessmagazine.com. The views expressed in this column are those of the author and not necessarily those of *Atlantic Business Magazine*.