

# **Ten Point Plan:**

## **Strategic Planning for the United States**

By Roger Scher and Lucila Broide

A Country Risk Project

**Roger Scher** teaches Country Risk at NYU, and is the former Global Head of Country Risk at GE Capital and Head of Americas Sovereign Ratings at Fitch Ratings, as well as a former US Foreign Service Officer and aide to Al Gore. He holds an MBA in Finance from the Wharton School and an MA in International Relations from SAIS, Johns Hopkins University. Email: Rogelio.gispan@gmail.com

**Lucila Broide** is the former Director and Head of Fixed Income Emerging Markets Sovereign Research at Oppenheimer & Co. and Director at Fitch Ratings, where she was a member of the Sovereign Ratings team for the US that met with officials from the US Treasury, Federal Reserve, and Congress in 2012-13. She holds a Master's in International Finance from SIPA, Columbia University, and a Master's in Economics from the Universidad Torcuato di Tella, Argentina. Email: Lucila.broide@gmail.com

## Executive Summary

**The US needs a Strategic Plan for the Future Economy.** A Ten Point Plan that identifies critical drivers of future success is set out below. If implemented, the Plan could produce economic growth that is strong, sustainable and equitable over the long term.

**The Ten Point Plan proposed in this paper leads with the President of the United States, in partnership with the private sector, convoking a Council on the Future Economy (CFE),** to act as a force multiplier, energizing the diverse players in the US economy toward common objectives.

**Strategic Planning is best practice in the world's most successful countries,** a conclusion drawn from Country Risk Analysis, a risk management process featured in this paper that private firms utilize to assess where in the world it is safe and profitable to invest. US policymakers should deploy this tool to cull best practices from around the world.

**A Country Risk Index ranking 71 countries is shown below,** scoring countries along 8 parameters: the quality of political institutions, business conditions, competitiveness, education outcomes, social progress, climate risks, national defense capabilities, and the government's financial strength. The data limit the sample to 71 countries.

**The US ranks only 14<sup>th</sup> best.** US strengths are in free markets, innovation and national defense, while weaknesses lie in national savings, education, social outcomes, carbon emissions, and politics. Index results indicate areas that need attention from US policymakers in order to correct course.

**Learning from other countries can power America forward.** Canada and Germany rank higher in the index, while Singapore and the US have similar scores. China ranks lower, though it moves ahead each year, having achieved parity or surpassing the US in manufacturing, technology and education. Lessons for the US from these countries cover Strategic Planning, Politics and the Policy Priorities of Savings, Education and Exchange, or S.E.E.

**Comparison with the Biden-Harris Economic Plan:** The Ten Point Plan is aligned with the Biden-Harris plan on values and goals. Commonalities include ramping up education spending, for disadvantaged schools and universal pre-K, and federal R&D spending, emphasizing green technology. The Ten Point Plan also seeks funding for lifelong training accounts for workers. By reversing Trump's tax cuts for the wealthiest, Biden-Harris and the Ten Point Plan both confront inequality. Ten Point Plan also offers detail on a medium-term fiscal savings plan, to be implemented after a Covid-related stimulus. Ten Point Plan would enhance means-testing of federal programs to better target the poor and provide cost savings. A carbon tax that prices emissions and raises revenues is key. Ten Point Plan would temper "Buy American" provisions with an "economic efficiency" rule. This does not preclude the formation of an Advisory Board, part of the President's CFE, to set goals for American firms to produce hi-tech goods and services. Finally, the Ten Point Plan proposes a political plan -- White House actions that will promote bipartisanship.

## Table of Contents

|  |       |
|--|-------|
| US Economy and Prospects                       | p. 4  |
| Ten Point Plan Summary                         | p. 6  |
| Learning From Other Countries                  | p. 8  |
| The Country Risk Index                         | p. 8  |
| Lessons for the US                             | p. 10 |
| Ten Point Plan for the United States (details) | p. 17 |
| Conclusion                                     | p. 33 |
| Endnotes                                       | p. 36 |

**Note:** Andrew Srulevitch contributed to and edited this report. Many thanks to him and other colleagues, friends and family who offered comments and other support during this effort.

## US Economy and Prospects

Drivers of future prosperity are weakening

**The US remains the wealthiest major advanced country, but its lead is narrowing.** With over \$20 trillion in output, the US has the largest economy, representing almost a quarter of global output. It is the third most populated country with nearly 330 million people. Per capita income of more than \$60,000 is among the highest in the world. The US has demonstrated a remarkable capacity over a hundred years to accumulate and broadly distribute wealth.

**The US remains dominant in knowledge-intensive fields** such as software, IT services, aircraft, scientific R&D, computers and electronics. Its financial system is among the most effective in the world, underpinned by highly competent regulators and the US dollar's pervasive global use. America's business and innovation culture sets a standard around the world.

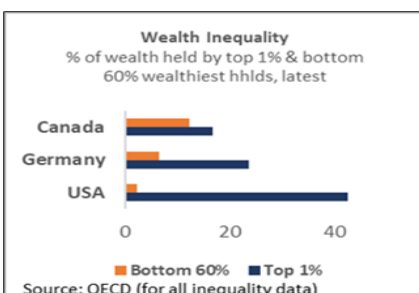
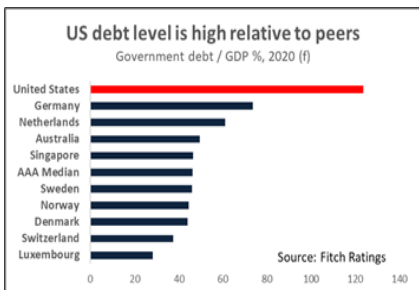
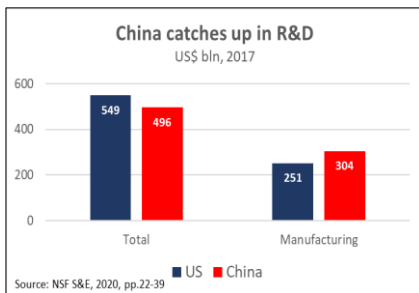
**On the political front, the US is arguably the world's oldest existing democracy.** According to Freedom House, the non-partisan US global democracy watchdog, the US benefits from a vibrant political system, a strong rule-of-law tradition, robust freedoms of expression and religious belief, and a wide array of other civil liberties.

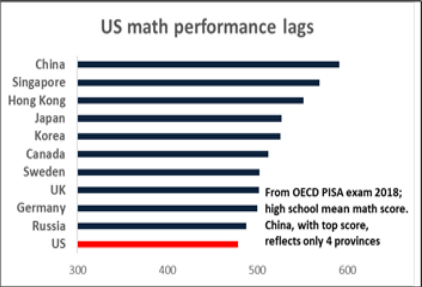
**The US continues to lead, but China is closing the gap.** China has reached parity or surpassed the US in manufacturing, trade and technology, and will soon be the largest economy in the world. China has been responsible for more of the world's R&D growth over the last 20 years than the US, according to the US National Science Foundation (NSF).

**Prior to Covid, headline economic figures were powered into favorable territory by the Trump "jolt" to the economy.** The economy expanded for its longest streak in history and unemployment fell to levels not seen in fifty years. A rising tide lifted all boats, with higher wages and jobs available for skilled and unskilled workers, minorities and the long-term unemployed.

**The bullish indicators of 2018-19 were driven by deep tax cuts widely viewed as irresponsible, masking underlying weaknesses.** The Congressional Budget Office (CBO) projects that without policy change, the US federal debt could rise to over 100% of GDP in 2023, higher than during World War II, and to nearly 200% of GDP by 2050. Debt at all levels of government will be even higher. National savings remains lower than peers.

**Income and wealth inequality in the US -- a key driver of political polarization -- remains among the worst in the G-7.** The poverty rate, at about 16% of households (pre-Covid), is among the highest of advanced economies, and is considerably higher among Black Americans. Half of the US population holds zero net wealth, even as the stock market and real estate values have surged. Median wealth of White households exceeded that of Black households by over \$164,000 in 2019.<sup>1</sup>





**Growth in labor productivity – output per hour, the only lasting driver of higher wages – has fallen below its long-run average.** The same is true of labor's share of national income. Average life expectancy has been falling, amid a national opioid epidemic. Gun violence is a national epidemic as well, with homicide rates in the US exceeding by more than three times those in other advanced countries.<sup>2</sup>

**American high school students underperform in international math assessments,** falling short on a skill indispensable in today's digital, data-driven world. The NSF reports a persistent gap in math and science performance between low and high income students and between White and Black students, as well as evidence of fewer certified math teachers in schools with high minority enrollment. Low teacher pay in the US indicates a lower priority given education than in peers.<sup>3</sup>

**President Trump's trade wars around the world have harmed the US economy** by lowering global growth. The good will of our allies has been squandered. Previous administrations had launched trade complaints through the WTO, with the Obama administration obtaining favorable rulings on China. Trump's pullout of the Paris Climate accords was a US abdication from its traditional leadership role in solving global problems.

**The Covid pandemic has focused attention on America's inadequate health care system and on food insecurity.** A poorly funded, for-profit, fragmented health care system, with low insurance coverage, is not well-suited to handling a crisis.

**A lack of strategic planning and a failure to contain the virus in the US have aggravated the pandemic.** By late 2020, the US led the world in Covid deaths and cases, with one of the highest per capita death rates worldwide, 2-3x Canada's and Germany's rates. The death rate was nearly 3x as high among African Americans than among Whites.<sup>4</sup> Likewise, the massive data breach resulting from a cyber attack by a foreign power, reported in December 2020, points up another result of a lack of strategic planning and poor management.

**Rising populism and polarization have resulted in bad policy.** On health care, instead of fixing and improving the Affordable Care Act, the choice has been between Obamacare repeal and Medicare for All. On a low carbon plan, the choice has been between a Green New Deal that excludes industry and includes expensive add-ons or climate science denial. Political rhetoric suggests that America's two major political parties could risk perceiving each other as existential threats in the future, which could be destabilizing.

**Left unaddressed, these negative trends will impact America's ability to succeed.** The incoming president should roll out a Strategic Plan to correct course.

**The genius of the center-right** is its focus on the market economy and low government debt.

**The genius of the center-left** is its focus on empowering workers, inclusion and a social safety net.

**President-elect Biden should energize the center,** drawing the best ideas from both sides.

**The Ten Point Plan seeks to answer this jam-packed question:**

*How can the US grow its economy, educate its kids, deploy technology, distribute prosperity broadly, encourage diversity and innovation, protect its citizens, protect the environment, minimize the risk of financial crisis, foster happiness and social peace, all the while accomplishing this without threatening other countries?*

## Ten Point Plan for US Success

### Strategic Planning

1. Establish a Presidential Council on the Future Economy (CFE), tasked with finding new sources of economic growth – sustainable, low carbon, high value-added, and human capital-intensive;
2. Direct the CFE to produce a National Strategic Plan, updated annually for Congress and the President;

### Policy Priorities

3. Raise national savings by cutting the federal budget deficit in the medium term;
4. Make education the nation's top priority, including by expanding the responsibilities and budget of the federal Department of Education, prioritizing disadvantaged schools and STEM programs;
5. Roll out life-long learning accounts for workers, targeting the less fortunate;
6. Fund basic research to advance innovation;
7. Go all-in on globalization, while being more assertive in multilateral organizations in defense of US interests;
8. Roll out a low carbon plan that includes returning to the Paris Agreement, carbon pricing, renewables, carbon capture, negative emissions and other technologies;

### Politics

9. Combat populism by promoting good government, truth in politics, and fact-based journalism; and,
10. Counter polarization by reducing inequality, advancing racial justice, and through “deliberative negotiation” – the “gang” approach – to rebuild the center.

## How Ten Point Plan compares with the Biden-Harris Plan

**Country success requires pushing forward on multiple fronts at once.**

*You can't increase R&D and address climate change without sound government finances; you can't compete with other nations without engaging them through globalization; you can't push the country to the technological frontier without improving education and training; and, you cannot implement reforms without combatting populism and polarization.*

**Ten Point Plan (elaborated in detail below) and Biden-Harris are aligned on values and goals.** The common objective is to retrain and retool the American workforce for the future economy. After implementing an economic stimulus to combat the pandemic-induced recession, including aid to beleaguered households, small business, the health care system and state and local governments, both plans seek to put the country on a path to success.

**Ten Point Plan institutionalizes a Strategic Planning process run out of the White House, headed by the Council on the Future Economy.** The Council, led by a Cabinet Secretary, has an associated Advisory Board of business and labor leaders, headed by an innovation czar charged with busting silos. Likewise, a White House Office of the Future Economy, staffed full-time, will roll out a Strategic Plan, culling best practices from around the world, updating the President and the Congress annually.

**A Political Subcommittee is an essential part of the CFE, designed to achieve bipartisan support for the Strategic Plan.** The White House Senior Advisor for Political Affairs or a similar official will be charged with pulling together a “gang” -- a bipartisan leadership group -- to get the Plan implemented. The National Governors Association (NGA) will spearhead coordination with state and local governments. Efforts to reduce populism and polarization include: support of journalism and America's civil service, undoing the damage done during the Trump administration; regulation of social media to prevent disinformation and other malicious actions over the internet; rules changes in Congress to empower

bipartisan coalitions; active efforts in the courts to combat “money as free speech”; greater transparency in political financing; and, electoral reforms that empower centrists.

**A medium-term fiscal consolidation plan charting a course toward fiscal balance** should accompany the 2021 stimulus. The recommendations of the Congressional Budget Office (CBO) for raising revenues, without sacrificing the US’s low-tax business climate, and for cutting spending that will not jeopardize the country’s long-run growth potential, should be implemented. Means-testing entitlement and other programs could achieve savings. Backloading a portion of the Biden-Harris infrastructure spending increase (that is not for green innovation and is less pressing) could provide fiscal flexibility. Pro-growth revenue mobilization will be required – including Biden-Harris’s tax hikes on wealthy individuals and corporations, and closing loopholes, but also through a roll-out of federal carbon, VAT and financial transaction taxes. America’s taxes are low by international comparison, so there is room to raise revenues without harming growth.

**Federal spending increases can support sustainable and equitable economic growth.** These will include funding hikes for the federal Department of Education, teacher salary increases, lifelong learning accounts for workers, the NSF, and green technologies.

**A Subcommittee on a Low Carbon Future** is necessary to promote carbon capture, negative emissions, and geoengineering technologies, a green power grid, EV charging stations, deep carbon emissions cuts, sustainable plastics, and silo-busting, particularly with industry in order to ensure adequate investment in a low carbon future. A return to the Paris Climate Agreement, the Clean Power Plan and other Obama-era commitments should not be delayed.

**A Subcommittee for a Resilient Food System** would pull together the agencies that regulate the food industry to roll out a policy that integrates health and nutrition with the agriculture business. A review of farm subsidies will be essential, while assessing the need for adjustment assistance to offset spending cuts. A well-balanced food policy could help contain carbon emissions and support national health and wellbeing, thereby reducing health care costs, notably related to the obesity crisis in the US.

**A smart return to globalization and multilateralism** will include rejoining the Transpacific Partnership (TPP) in Asia, concluding the Transatlantic Trade & Investment Partnership (TTIP) with Europe, and recommitting to the WTO. Discussions with China would proceed on aligning its 15-country Regional Comprehensive Economic Partnership (RCEP) with TPP, in order to get enhanced rules on issues important to the US. The US will work closely with likeminded nations to pressure countries engaging in state actions that provide an unfair advantage to national firms, such as subsidies, state procurement practices, and allowing intellectual property (IP) infringement. Utilizing the WTO’s Dispute Settlement Mechanism (DSM), the US will be more assertive in challenging unfair trade practices than in the past, following the Trump aberration, but will act immediately to approve DSM adjudicators, so the

WTO can function properly again. Assessing foreign corporate investments into the US for signs of anti-competitive practices or risks to national security and privacy is likewise sound.

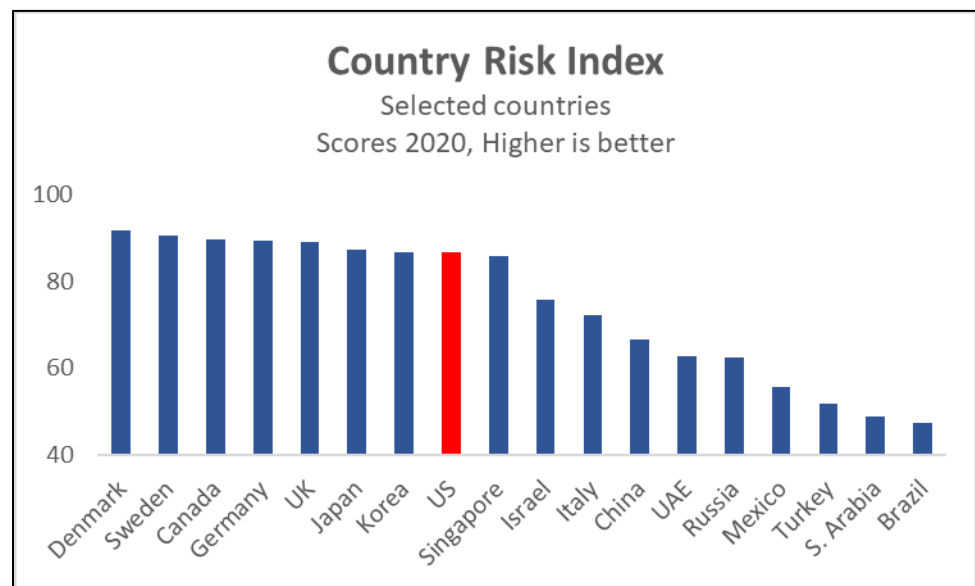
## *Learning from other countries*

**Country Risk Analysis**, the private sector risk management process designed to locate safe and profitable jurisdictions around the world, should be formally deployed by the White House Office of the Future Economy. This tool can assist US policymakers in selecting country best practices from among the world's 200+ countries.

### The Country Risk Index

**The Country Risk Index assesses the long-run prospects for a country's success**, drawing on data compiled by international agencies to score political, economic and social factors and rank countries.

**The US ranked 14<sup>th</sup> best of the 71 countries fully covered by the data** – behind Canada and Germany, just ahead of Singapore, and well ahead of China, all discussed below.



**The index is composed of eight factors:** 1) the quality of political institutions (pulled from the World Bank Governance Indicators); 2) business conditions (from the World Bank Doing Business indicators); 3) global competitiveness (from the World Economic Forum's Global Competitiveness Index); 4) education outcomes (from the OECD's PISA examinations); 5) climate and environmental risks (from the Environmental Performance Index produced by Yale and Columbia Universities and the WEF); 6) social progress (from the Social Progress Index, produced by the non-profit Social Progress Imperative); 7) national defense capabilities (compiled from public data, including from the Stockholm International Peace Research



Institute and other sources, as well as team judgments); and, 8) the government's financial strength (from the sovereign ratings of Moody's, Standard & Poor's and Fitch).

| Ten Point Plan - Country Risk Index: Selected Countries |                    |               |                         |                  |                 |            |                       |                 |                  |                       |
|---|--------------------|---------------|-------------------------|------------------|-----------------|------------|-----------------------|-----------------|------------------|-----------------------|
| Country   | Country Risk Index |               | Country Risk Components |                  |                 |            |                       |                 |                  |                       |
|   | Rank               | Average Score | Political Institutions  | Business Climate | Competitiveness | Education* | Climate / Environment | Social Progress | National Defense | Sovereign credit risk |
| United States   | 14                 | 87            | 82                      | 97               | 99              | 68         | 73                    | 83              | 99               | 93                    |
| Denmark   | 1                  | 92            | 95                      | 98               | 93              | 77         | 98                    | 99              | 79               | 95                    |
| Sweden  | 2                  | 90            | 96                      | 95               | 94              | 79         | 92                    | 97              | 75               | 95                    |
| Canada  | 3                  | 90            | 93                      | 88               | 90              | 90         | 78                    | 96              | 89               | 93                    |
| Germany   | 5                  | 89            | 90                      | 88               | 95              | 75         | 85                    | 93              | 93               | 95                    |
| Singapore   | 15                 | 86            | 89                      | 99               | 99              | 97         | 49                    | 82              | 75               | 95                    |
| China   | 33                 | 67            | 41                      | 84               | 80              | 99         | 18                    | 39              | 97               | 75                    |

Source: The Ten Point Plan. \* China's Education score only reflects exams taken in 4 provinces.

A comparison of the Country Risk Index results for the US with other countries yields the following strengths and weaknesses:

### *US Strengths*

- **Strong competitiveness.** The US ranks 2<sup>nd</sup> among the 71 countries in the Country Risk Index – behind Singapore – in the WEF's GCI, which assesses future prospects for prosperity and productivity. The US is notable for its innovative businesses and large and free markets.
- **Favorable business climate.** The US ranks 5<sup>th</sup> out of 71 countries on the World Bank's Ease of Doing Business survey – with high component ranks for efficient credit markets and bankruptcy resolution.
- **National defense capabilities.** The US remains the world's preeminent superpower, ranked 1<sup>st</sup> in the world on this metric that assesses a country's actual and latent capacity to defend its territory and project power. The US leads in defense spending, cyberpower, wealth, and R&D. The US spends nearly 3x more on national defense than the next biggest spender (China), according to SIPRI, the Stockholm-based think tank. The US is a leading member of NATO, perhaps the most successful collective security organization in history.

### *US Weaknesses*

- **Education outcomes.** The US ranked 22<sup>nd</sup> of the 71 countries in the Country Risk Index for performance of high school students on the OECD's 2018 PISA exams for math, reading and science, and 33<sup>rd</sup> in math. Inequality of education opportunity by race and income, caused largely by unequal school funding based on local property taxes, aggravates national underperformance.
- **Political institutions.** The World Bank's World Governance Indicators, which assess institutional strength, ranks the US 22<sup>nd</sup> of the 71 countries. Slippage across nearly all governance categories has been ongoing for the US, including regarding violence in society and political and civil rights.

- **Low national savings.** The US has a comparatively low savings ratio of 18% of GDP, versus Germany's 27%, which drives heavy borrowing from foreigners, notably by the government. (IMF WEO) This weakness is reflected in the Country Risk Index through the sovereign credit rating – an assessment of the financial strength of the federal government – calculated as an average of the three ratings from Moody's, S&P and Fitch. The US is ranked 10<sup>th</sup> (tied with Canada), due to the fact that the US sovereign rating was downgraded by S&P to AA+ in 2011. Moody's and Fitch have kept their US sovereign ratings at AAA (the highest rating), although Fitch placed its rating on Negative Outlook in June 2020, indicating a likely downgrade in the next two years. Nine other countries, including Germany and Singapore, retain AAA ratings (with Stable Outlooks) with all three rating agencies.
- **Heavy carbon emissions.** The US is ranked 44<sup>th</sup> of the 71 countries in the index on climate and environmental risks (versus Germany's ranking of 25<sup>th</sup> and Sweden's 9<sup>th</sup>), driven by the country's heavy carbon emissions, as reflected in the Environmental Performance Index and its components. The US has the dubious distinction of being the largest cumulative emitter of carbon since the Industrial Revolution began, though China's annual emissions are nearly twice US levels today. US regions are vulnerable to climate catastrophes, such as flooding in the Southeast and drought in the West.<sup>5</sup>
- **Poor social progress indicators.** The US ranked 27<sup>th</sup> on the Social Progress Index (versus Canada's ranking of 7<sup>th</sup> and Sweden's 5<sup>th</sup>), which scores countries on their capacity to meet the basic needs of their citizens, such as nutrition and safety, to ensure their wellbeing through access to education, health care and a clean environment, and to provide equal opportunity to all. The US had weak scores for access to health care and quality education, the homicide rate, maternal mortality, and discrimination against minorities.

**America's strengths are formidable but tend to reflect the current state of affairs rather than drivers of the future.** For example, the US's favorable ranking in the WEF's competitiveness scale relies heavily on the perceptions of corporate executives of current conditions. The drivers of future prosperity – strategic planning, political consensus, and the right policy priorities – Savings, Education, Exchange, or S.E.E. – are areas of weakness for the US.

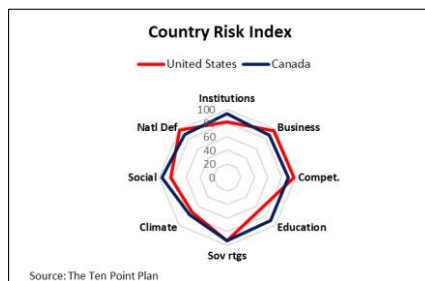
## Lessons for the US

**The Country Risk Index highlights broad areas where the US needs to improve. Four countries discussed below – Canada, Germany, Singapore and China – provide specific lessons.** Other countries offer insights as well, such as the Scandinavians which top the results due to impeccable institutional, climate and social progress scores. Fiscal positions are sound there as well, though sizable household debt and large banking systems relying heavily on wholesale funding indicate that these top-ranked countries are not without risk. Japan, Korea and Israel are also noteworthy for their success at innovation, in spite of having substantial

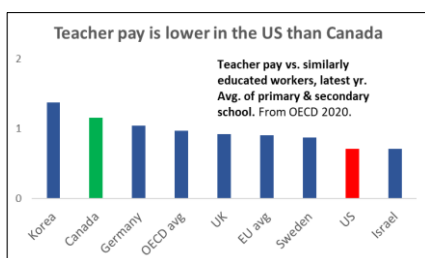
country risk. All of these countries, within different political contexts, have engaged in strategic planning of some sort – often led by government and harnessing the private sector. The UK also bests the US in the index, coming in 6<sup>th</sup>, just behind Germany, due to a climate score among the best in the world for large countries, and better scores than the US on institutions, education and social progress. The UK is not discussed in depth because on strategic planning, polarization, and government finances, it suffers from similar weaknesses to the US, while its Brexit policy choice has put at risk future economic growth.

**Canada, Germany and the Scandinavian countries**, by contrast, are democracies that have had more success than the US building political consensus. Through rules and practices in politics that empower centrists – and policies that reduce income inequality – these countries have thus far avoided the excessive polarization hamstringing the US. It is true that most of these countries, like the US, host movements and polarizing viewpoints arising in reaction to globalization. However, thus far moderates remain in control of policy. Furthermore, the experiences of the Scandinavian countries, Canada and Germany suggest that a strong welfare state can coexist with a competitive business environment.

**Canada** ranks 3<sup>rd</sup> in the index, scoring well across most components, especially on political institutions, education outcomes and social progress, though less well on business conditions and climate risks. High carbon emissions per capita penalize Canada, like the US. Fiscal slippage due to the pandemic triggered a sovereign downgrade by Fitch to AA+. Furthermore, high household debt, and the government's sizable mortgage guarantees, point up another Canadian risk factor.



On politics, Canada, like the US, is diverse, pluralistic and decentralized; and, like Americans, Canadians have endured painful adjustments due to globalization and technological change. Yet Canada ranks consistently higher than the US on the quality of its institutions. The federal funding of elections – in conjunction with election spending limits – diminishes the impact of partisan financing. Party leadership conventions instead of primaries make elections shorter and less partisan. Canada's press is less polarized than America's. And, a lower concentration of wealth fosters consensus. And, unlike in the US, Canada avoids gridlock, because it does not have a US-style separation of powers between the executive and legislative branches. That said, political tensions do emerge in Canada among the relatively powerful provincial governments and between them and the federal government.<sup>6</sup>



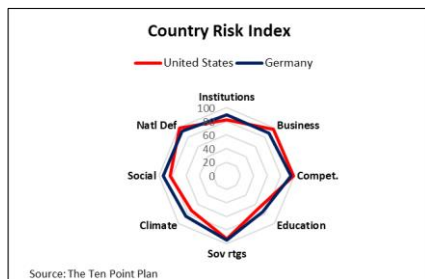
On education, the US remains consistently below the top rungs of countries across international exams, unlike Canada. Teachers are well paid in Canada, unlike in the US. Canada achieves a high level of equity in education, notable given the higher percentage of immigrants in its school system compared to the US. And, Canadian provinces coordinate education reforms, unlike US states. In the mid-2000s, Ontario, Canada's largest province, advanced education reforms, coordinating with other provinces through the Council of Provincial Education Ministers. These reforms focused on teacher professional development, province-wide standards and testing, and improving access for disadvantaged students.

Reforms yielded results in the subsequent decade in the form of improving education outcomes.<sup>7</sup>

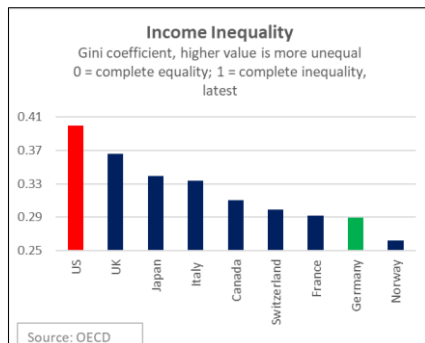
### Canada's lessons for the US:

- 1) A commitment to reforming, adequately funding, and achieving equity in education can improve student outcomes. Coordinating such reforms across a large federal state can be facilitated by an organization such as Canada's Council of Provincial Education Ministers and the US's National Governors Association (NGA).
- 2) Positive results in politics are possible when centrists are empowered through the rules and practices of politics. US electoral, legislative and campaign finance rules and practices can be reformed along Canadian lines.

**Germany**, ranks 5<sup>th</sup> in the index, ahead of the three largest economies (US, China and Japan). The world's fourth largest economy, with \$3.8 trillion in GDP and 83 million people, scores well on government financial strength and competitiveness, and fairly well on climate risks. The country is highly open to trade, known for its exports of sophisticated manufactures. A country Henry Kissinger once called "too big for Europe, too small for the world", Germany is in many respects the world's best-run large country. Running a large, complex, highly populated, heterogenous and decentralized country, like Germany and the US, presents unique challenges.



Germany's conservative fiscal policy has produced one of the world's strongest sovereign balance sheets. German households save more than America households -- over 10 percent of their income each year, versus the US's under 7 percent. Government debt is forecast to be over 50 percentage points of GDP higher in the US than in Germany at year-end 2020. On education, Germany has outperformed the US since implementing reforms over a decade ago.<sup>8</sup>



The government keeps political polarization at bay by reducing income inequality. Germany's welfare state is among the most generous in the world -- providing pensions, health care, and equalization payments across the states. The Gini index of income distribution -- indicating how evenly a country's income is distributed (the higher the number, the more unequal the distribution) -- is ten points lower in Germany than in the US.<sup>9</sup>

Germany's response to challenges can be sluggish, given the need to coordinate at multiple levels of government and across coalition partners. However, ultimately the country acts, overcoming any US-style deadlock. In the early 2000s, Germany, then known as the "sick man of Europe", suffered from high unemployment and large budget deficits, while its high school students scored below average on international tests. By the middle of the decade, reforms were implemented. The government incentivized work and upgraded education policy, coordinating across the states. Unemployment subsequently fell by six percentage

points, and Germany moved up the ranks in math. More recently, the country has deployed strategic planning to modernize industry.<sup>10</sup>

Political outcomes in Germany since World War II have been moderate and tilted center-right. This followed the country's high-risk, high-stakes, criminal gamble for world domination during the first half of the 20<sup>th</sup> century. Since the 1980s, new parties have entered the legislature, pulling support away from the center-right Christian Democrats and center-left Social Democrats. Coalition governments are common, requiring active negotiation and compromise among political parties. However, Germany is not immune to polarization, reflected in the rise of the far-right Alternative für Deutschland (AfD), currently the third largest party in the legislature.

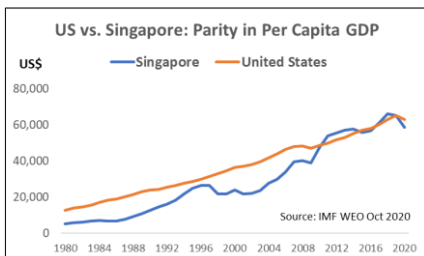
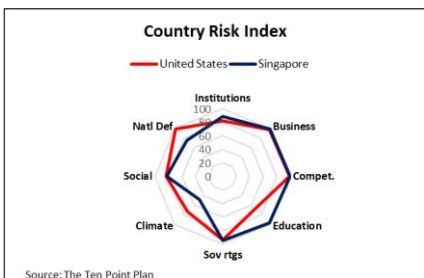
### Germany's lessons for the US:

- 1) A fair distribution of income and wealth and an adequate social safety net can underpin political consensus and centrist politics, empowering a vast federal system to coordinate across party lines and multiple levels of government.
- 2) Savings provide a cushion against bad times. Germany has had ample resources to confront Covid, given budget surpluses and low government debt.

**Singapore**, the dynamic city-state located in Southeast Asia, ranks 15<sup>th</sup> in the index, nearly equal with the US, although this masks underlying strengths Singapore possesses. With top scores on education, competitiveness and business climate, Singapore's rank is pulled down by weak scores on climate risk and social progress. Singapore is only considered to be "partly free" by Freedom House, but it is ranked first in the world by the World Bank on government effectiveness and regulatory quality.

Singapore deploys strategic planning – led by government and partnering with the private sector – with great success. It does so without sacrificing its low-tax, pro-business climate. Singapore has made the leap from developing to advanced economy faster than almost any other country, evidenced by per capita GDP rising from about half the US level thirty years ago to rough parity today. Income inequality in Singapore, like in the US, is higher than in other advanced economies.<sup>11</sup>

The country's business-friendly model likewise can prove challenging in reaching the neediest during times of crisis, such as the Covid pandemic. Most Singaporeans benefit from a fully-funded pension plan and health savings accounts. This is achieved through mandatory household savings, although the government cautiously raises taxes against future needs. However, like the US system, Singapore's entitlements tend to be employer-based, rather than universal, potentially leaving workers in the gig economy and low-skilled foreign workers without benefits.



That said, there is probably less uncertainty about the sustainability of retirement and health care benefits in Singapore given its very favorable financial position, punctuated by substantial assets held in sovereign funds.<sup>12</sup> US entitlement spending – Social Security and health care – is expected to deplete trust fund assets in the next 10-15 years. Singapore achieves favorable health outcomes (e.g. the highest healthy life expectancy in the world) at low cost. This is accomplished through burden-sharing and cost containment that includes: government-provided catastrophic insurance alongside private insurance, means-testing of subsidies, competition among health care providers, and cost-sharing across households, health care providers, private insurers, and the government.<sup>13</sup>

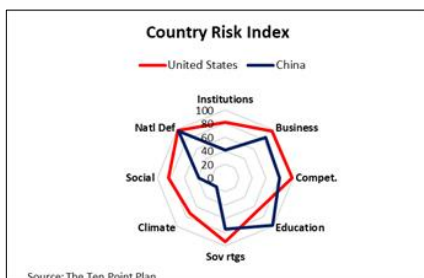
Singapore has gone all-in on globalization, possessing among the lowest barriers to trade in the world and a global financial center. It is integrated in the global value chain. Singapore has become a global leader in electronics manufacturing, transport, logistics, technology and banking.

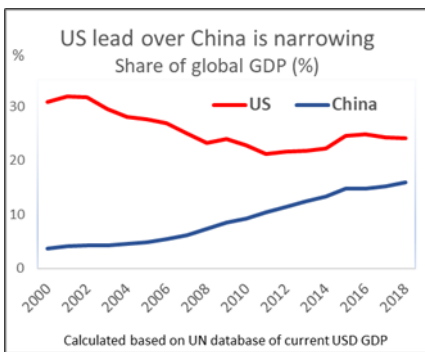
Singapore's education system is characterized by central direction, lifelong teacher training, and national standards for achievement – while allowing school autonomy to reach goals. Singapore falls short of the US and Germany in business dynamism and innovation, according to the WEF. What is striking is that such lessons are quickly integrated into its strategic plan. Singapore's Future Economy Council in 2017-18 rolled out: a National Research Fund to finance innovation and startups; tax incentives for R&D and IP registration; a National Productivity Fund to increase firms' efficiency; and, credits to individuals for lifelong training. As a result, Singapore's competitiveness scores have been improving.<sup>14</sup>

**Singapore's principal lesson for the US:** Government can play a leading role in strategic planning without damaging the country's pro-business, low-tax status. By identifying weaknesses and pulling together stakeholders to draw up and implement a strategic plan, the government of Singapore focuses on success over the long term – a perspective elusive in the US context.

**China** is ranked 33<sup>rd</sup>, not far above the median of countries in the index. It holds top ranks for education (though only its leading provinces participate in the PISA exams), as well as national defense capability, and has been improving markedly on business conditions and competitiveness. China's ranking suffers from low institutional, climate / environmental, and social progress scores.

China is notable for deploying strategic planning effectively. By way of five-year plans, the Chinese government channels the nation's energies into innovation. It provides key public goods such as infrastructure and education. As a result, the world's most populous country has powered forward in only forty years from a closed, impoverished society to the world's second largest economy and a great power. However, the country is challenged by contradictory objectives: namely, decreasing the state's massive footprint in the economy in order to unleash sustainable growth, while still allowing the Communist Party a key role in





strategic planning. The government's response to the Covid outbreak was highly effective in containing the spread of the virus, but this involved a curtailment of freedoms and a lack of transparency.

Apple CEO Tim Cook said in late 2017, "China has moved into very advanced manufacturing, so you find in China the intersection of craftsman kind of skill, and sophisticated robotics and the computer science world. That intersection, which is very rare to find anywhere, that kind of skill, is very important to our business..."

President Xi Jinping – China's paramount leader – commenting in 2012 on the failure of communism in the Soviet Union, said: "Finally, all it took was one quiet word from Gorbachev to declare the dissolution of the Soviet Communist Party, and a great party was gone. In the end nobody was a real man."<sup>15</sup>

These quotes raise important questions. Will China's economic success ultimately overwhelm its political monopoly – either through a disorderly transition away from authoritarianism or a gradual shift to pluralism? Will the dynamism of its technology sector allow China to grow out of its bad debts? And, will China integrate as a responsible partner into the global community? The base case is that, yes, while there may be economic and political setbacks, China's rise – and its transformation into a technology powerhouse – will proceed. This will establish the country as a major competitor, if not the dominant superpower by the end of the century. Nevertheless, a downside scenario of a disorderly political transition should not be dismissed, especially since in recent years the Chinese Communist Party has tightened its grip.

China has a high national savings ratio of 44 percent of GDP, though overinvestment has resulted in a sizable stock of bad debts. China is a competitive exporter, possessing the world's premier ecosystem of technology and manufacturing. Paradoxically, the country's industrial research clusters have become a platform for among the freest exchange of ideas on technology and manufacturing in the world. Open labs and rapid prototyping of new products attract foreign innovators. By contrast, US firms keep R&D silo-ed, limiting cross-fertilization. In frontier sectors – such as e-commerce and fintech – China leads.

China is well-known for its human rights abuses and pervasive domestic security apparatus that stifles opposition. On government effectiveness, however, China scores in the top third of countries. On competitiveness, China bests the US on high-speed fiber internet connectivity and is ranked high for infrastructure and scientific research.

The "Made in China 2025" industrial policy sought to channel resources to national champions across most industries. However, since the trade war with the US began and the onset of the Covid crisis, China has narrowed its focus on strategic sectors that are vulnerable to supply chain disruption, including jet turbines, precision photolithography for semiconductors, and machine tools.<sup>16</sup>



### Every country has its problems.

The countries discussed in this paper do not do everything better than the US. Far from it. They all have weaknesses, including in areas where the US is strong such as efficient markets and dynamic businesses. *Singapore* is much less free than the US from a political standpoint. *Canada* is less dynamic from an economic standpoint. *Germany's* risk aversion slows the pace of economic adjustment. And, *China's* one-party state maintains an excessive presence in the economy, commits human rights abuses, and aggravates global tensions. Still, learning from other countries is a critical ingredient to country success. And, though the US since World War II is unaccustomed to doing this, it must start.

Ample public funds for R&D have fueled China's rise. The US still led the world in total R&D by 2017, with a 25 percent share – down from 37 percent in 2000 – nearly equivalent to China's 23 percent share. R&D in manufacturing is already significantly higher in China than in the US. China now lies at the center of an electronics production chain in East Asia. Its RCEP trade deal with 14 other Asian countries will deepen these ties, at US expense.

China has jumped to the top of the league tables for scientific articles in the physical sciences, engineering and math. China produced nearly 21 percent of all science and engineering articles in 2018 – versus the US's 17 percent, with an even greater lead in articles on Artificial Intelligence (AI). The focus of US research has been concentrated in health sciences, while China's focus has been in engineering and computer science. For nearly a decade, China's patent office has received more patent applications per year than both the US and Japanese patent offices, which formerly topped the statistics. In venture capital, where inventions are turned into commercial innovations, China leads the US in technology VC deals, with nearly \$55 billion in 2017, vs. the US's \$46 billion.<sup>17</sup>

### China's lessons for the US:

- 1) Strategic planning led by government can advance innovation; however, the excesses of state intervention – picking winners, cronyism, misallocation of resources, bad debts -- should be avoided.
- 2) Multilateral action to pressure China (and other countries) to follow global rules and norms, such as through TPP and the WTO, not a trade war, is the most effective way to spur cooperation and protect US interests.

**Japan, Korea and Israel** offer insights to the US as well. In spite of substantial country risk, these three countries are noteworthy for their success at innovation. The WEF ranks Japan first in the world on R&D, Korea first on technology adoption, and Israel first on entrepreneurship.

Japan, the world's third largest economy and 10<sup>th</sup> most populated, is ranked 10<sup>th</sup> in the index, even though it is plagued by one of the highest government debt burdens in the world and worrying demographic trends. Japan scores the highest of large countries on international exams, and is tied for first in the world on the number of patents produced per capita. Japan is ranked highly for infrastructure, health outcomes, and is tied for first for a low homicide rate – the latter comparing favorably against America's woeful ranking of 96<sup>th</sup> of 141 countries.

Korea – in spite of the North Korean threat – is ranked 13<sup>th</sup> in the index and 4<sup>th</sup> among the countries in the index for business climate, ahead of the US. It boasts high ranks for electricity infrastructure, contract enforcement, shipping, patents, and education outcomes.

Israel, ranked 26<sup>th</sup> in the index, is a small country with geopolitical challenges as well as a dysfunctional democracy. Yet it is known for its tech start-ups, venture capital, research institutes,



and skilled labor – producing breakthroughs in health care, defense, software, agriculture and green technologies. All three countries spend a high proportion of GDP on R&D.

**From these 3 countries, the lesson for the US is** that, in spite of other country risk weaknesses, a country can succeed by focusing on education, R&D, technology, and innovation.

## *Ten Point Plan: Details*

Ten Point Plan is a blueprint for the Future Economy, generated by an analysis of country best practices from around the world. It is grouped by the themes of Strategic Planning, Policy Priorities and Politics.

### **Ten Point Plan**

#### **Strategic Planning**

1. Establish a Presidential Council on the Future Economy (CFE), tasked with finding new sources of economic growth – sustainable, low carbon, high value-added, and human capital-intensive;
2. Direct the CFE to produce a National Strategic Plan, updated annually;

#### **Policy Priorities**

3. Raise national savings by cutting federal budget deficits in the medium term;
4. Make education the nation's top priority, including by expanding the responsibilities and budget of the federal Department of Education;
5. Roll out life-long learning accounts for workers;
6. Fund basic research to advance innovation;
7. Go all-in on globalization, though smartly;
8. Roll out a low carbon plan;

#### **Politics**

9. Combat populism by promoting good government and fact-based journalism; and,
10. Counter polarization by reducing inequality and building the center through “deliberative negotiation – similar to the Congressional “gang” approach.

## **Strategic Planning**

1. **Establish a Council on the Future Economy.** *The President of the United States should establish a council charged with formulating a Strategic Plan for the future economy with the mission of finding new sources of economic growth – sustainable, low carbon, high value-added, and human capital-intensive. The CFE should seek to leverage US strengths while identifying weaknesses.*

**Members:** Chaired by a cabinet secretary, the Council on the Future Economy (CFE) should be comprised of government officials, with an associated Advisory Board that includes industry, academic and labor leaders. A White House Office of the Future Economy will be established and permanently staffed, with a Director appointed by the President and confirmed by the Senate.

**A research group in the Office of the Future Economy** will be charged with “learning from other countries” – that is, formally conducting Country Risk Analysis to identify best practices for the US.

**Deploy existing government resources.** The CFE should be a “whole-of-government” initiative and include key players in economics, science and technology, climate policy, and politics. At the table should be senior representatives of the Departments of the Treasury, Commerce, Education, Labor, Agriculture and Energy, the Trade representative, the Environmental Protection Agency (EPA), and the key innovation agencies – such as the National Science Foundation (NSF), the National Research Council (NRC) of the National Academies, NASA, the ARPA’s (Advanced Research Projects Agencies) in Defense, Intelligence and Energy, the Select Committee on AI, and the National Oceanic and Atmospheric Administration (NOAA).

**Existing presidential councils should be folded into the CFE,** when appropriate. The National Science and Technology Council (NSTC), National Economic Council (NEC), and the National Council for the American Worker should either be represented on the CFE, folded into the CFE, or in some cases disbanded.

**CFE and Congress.** The CFE should maintain close contact with the Congressionally-mandated National Security Commission on AI, as well as congressional staffers from relevant committees. The CFE will cull the best ideas from departmental and topical strategic plans, including the US Treasury’s Strategic Plan, as well as those on AI R&D, advanced manufacturing, STEM education (Science, Technology, Engineering and Math), cybersecurity, and quantum networks.

**The Advisory Board.** The Advisory Board should include business leaders drawn from technology, high value-added services, advanced manufacturing, and green energy. The leader of the Advisory Board would act as Deputy Chair of the CFE and its “innovation czar”. S/he would be tasked with busting silos across the economy to facilitate the sharing of ideas, and with identifying synergies and linkages in emerging technologies. The Deputy Chair would form an Innovation Subcommittee. S/he would draw on academia as needed, and seek committee representation from the startup community. Trade and industry fairs – like Germany’s Hannover Messe – and open labs – as in Shenzhen, China – would be promoted.

**A Political Subcommittee is required.** The Chair would empower the White House Senior Advisor for Political Affairs to pull together a bipartisan group, including party leaders from both houses of Congress and the National Governors Association (NGA), to address reforms that support consensus-building and coordination at multiple levels of government. This Political Subcommittee would recommend rules changes to Congress that would fast-track legislation with broad bipartisan support. It would normalize procedures for “deliberative negotiation” – expanding on the Congressional “gang”

approach and drawing on the research and advice of experts in political negotiation, such as the Task Force on Negotiating Agreement in Politics of the American Political Science Association (APSA). Strategies to address gerrymandering and partisan campaign finance should be considered. The remit of the Political Subcommittee would be to forge consensus over economic policy, so that the CFE's Strategic Plan can be implemented.

**Strategic planning is not socialism; it is best practice.** With the proper control and review, skilled leadership can ensure that strategic planning avoids the common pitfalls, such as excessive government intervention and political favoritism.

2. **Produce a US Strategic Plan.** *The CFE will produce a Strategic Plan in the form of an annual report to the President and Congress establishing long term goals for: national savings, education outcomes, skills acquisition, technology, productivity growth, R&D, infrastructure, regulatory reform, financial stability, pandemic defense, food policy, trade and investment liberalization, reduction of inequality, and a low carbon transformation.*

**Performance metrics and forecasts.** The report will track specific performance metrics across these priorities and publish forecasts, utilizing federal resources such as the CBO. Trends in key disruptive technologies and products will be tracked, including: AI, robotics, autonomous vehicles, transportation systems, new materials, medical technology, e-commerce and fintech, social media, 5G, cybersecurity, quantum computing, advanced manufacturing, pandemic defense, renewables and green tech. The progress of US firms in these technologies – including relative to foreign firms – will be tracked and projected and included in the Strategic Plan. The Office of the Future Economy will be the primary author of the Plan.

## Policy Priorities

3. **Raise National Savings.** *The US debt problem lies at the doorstep of the federal government, so fiscal policy should be the principal lever to raise national savings.* The non-partisan CBO has laid out options for reducing the federal deficit, forecasting that 2-3 percent of GDP in cuts per year will be needed to stabilize or reduce the debt-to GDP ratio (see CBO's "Options for Reducing the Deficit"). A plan drawn largely from these options follows. The damage inflicted by the pandemic calls for slower fiscal adjustment than the CBO originally proposed, though likely substantially deeper deficit cuts in the out-years. The focus should remain the same. Only by political leaders laying out a well-structured, medium term plan that lays the groundwork to resume economic growth, while cutting future budget deficits, can fiscal policy credibility be maintained.

**On the spending side, means-testing will be essential.** Means-testing, and raising the retirement age for, Medicare and Social Security benefits will be critical to future fiscal stability; likewise for subsidized housing, college grants and loans, and other entitlement programs broadly available for the middle class. Care should be exercised to prevent a

premature implementation of means testing so as to avoid aggravating the negative effects on the poor of the pandemic. Tighter controls on defense spending, and containing highway funding (to free up space for green transport) should be priorities for cost containment.

**On the tax side, revenues must be raised in a way that reduces inequality and safeguards growth in the long run.** With a robust revenue-raising program, national

savings can increase – building a financial cushion against crises – at the same time as fiscal space is created for spending that supports sustainable growth. The US tax intake, at all levels of government, at about 30 percent of GDP, is lower than in nearly every other large, advanced country. This limits America's capacity to provide essential services.

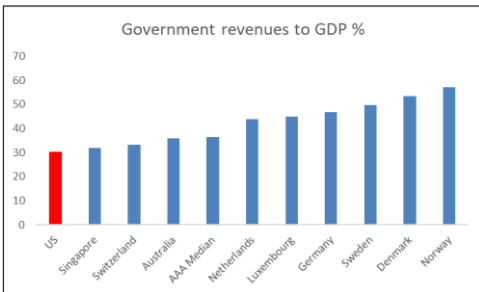
**Most successful countries have found an appropriate role for government at a higher level of taxation.** While there is room for the US to raise the tax intake and to

reverse the excessive benefits Trump provided the wealthy, the US should not give up its low tax climate.

**There is a sweet spot for US taxes – at around 35 percent of GDP,** close to the median for countries with similar credit ratings and no higher than Germany's 45 percent.

**The US corporate tax rate should increase to 28 percent from 21 percent,** as recommended in the Biden-Harris Plan. The rate was reduced from 35 percent in the Trump tax plan – a sound move that has improved US competitiveness. However, the rate could increase by several percentage points, bringing it in line with other advanced economies. Consideration of a full expensing of investment for at least the near-term could help jumpstart growth as the nation emerges from the pandemic

**Revenues could also be raised by closing corporate tax loopholes, raising the federal gasoline tax, and implementing the following: a carbon tax, a federal value-added tax, and a financial transactions tax.** A VAT could be shared with states to assist them in recovering from the budgetary stresses unleashed during the pandemic and eventually doing away with state sales taxes. Efforts to stagger VAT implementation (or temporarily exempt essential products that make a large portion of the consumption basket of the poor) should be considered. Other tax measures include: higher capital gains taxes on less productive investment such as real estate; higher taxes on inheritances; higher rates on top income tax brackets; tighter restrictions on wealthy individuals avoiding income tax (through pass-throughs or carried interest); increasing Medicare and Social Security payroll taxes (and raising the ceiling on earnings taxed); and, higher fees on federal mortgage guarantees. Broad tax reform and simplification should be studied for ideas on increasing tax efficiency and avoiding duplication.



Source: Fitch Ratings

**Spending increases supporting sustainable growth include:** expansion of the federal Department of Education (ED); increased basic research channeled through the NSF and other relevant agencies; programs that shift the economy to lower carbon emissions; direct transfers to alleviate poverty; job training programs and temporary income support targeting low-income families and beleaguered regions; expanded and extended unemployment insurance payments to ensure support as the nation exits the pandemic; family leave and child care aid that is means-tested; and, cybersecurity that prevents data breaches and secures the nation's critical networks . The government should also expand eligibility for the Earned Income Tax Credit (EITC) for the working poor.

**Protecting and Enhancing the ACA.** Health care is critical for worker productivity. Following passage of ACA in 2010, the percentage of the population that was uninsured fell dramatically to single digits. ACA reform is essential in order to protect these gains. Individual and employer mandates, taxes and subsidies, and Medicaid expansion should remain in place or be restored, barring unfavorable court rulings. ACA reforms should include allowing more insurance rate differentials between young and old participants, providing subsidies for older people, reinstating the excise tax on medical devices, allowing Medicare to negotiate down drug and medical device prices, tort reform and bundled payments, and antitrust investigations. Government-provided catastrophic insurance alongside private insurance – following Singapore's lead – should be considered.<sup>18</sup>

**Student loans.** Broad loan forgiveness is too expensive, although means-testing makes sense. Temporary student loan relief as the nation exits the pandemic also makes sense.

**A National Food Policy would support fiscal savings in the long term.** America's health crisis is aggravated by the nation's high obesity rate. This is in part due to farm subsidies that render processed and fast food cheaper than fresh fruits and vegetables. Junk foods' basic inputs - corn and soy - are heavily subsidized, while the staples of a healthy diet are not. The pandemic has revealed how critical the availability and affordability of healthy food are to the nation. A National Food Policy could improve health and wellbeing, as well as contain the fiscal impact of rising health care costs.<sup>19</sup>

**The US should include medium term fiscal objectives for debt reduction** in the Strategic Plan. The economic policy course for the US is straight-forward: deploy public resources to promote sustainable growth over the long term, while managing finances prudently.

4. **Make Education Priority #1; Make the US an Education Nation.** *A common formula for success among countries ranked higher than the US in education outcomes combines central direction of policy with school autonomy in reaching goals. National standards of achievement, a funding structure that ensures broad access, healthy funding of teacher*

*compensation, and a high priority given to math and science are commonalities of success. A robust role for the US Department of Education (ED) is crucial.*

**Coordination of education policy across states and localities.** The National Governors Association (NGA) should take the lead, as they did with the Common Core national education standards starting in 2010, much the same way subnational ministers work together in Canada and Germany. Still, any national education strategy in America should take into account the country's historical preference for local government control.

**Department of Education budget should increase.** The portion of national education spending represented by the ED budget is small at under 0.5 percent of GDP. Line items in the ED budget that should increase include: grants to disadvantaged primary and secondary schools (Title I grants); "21st century learning centers" – which are after-school programs in reading and math for disadvantaged students; teacher training and performance bonuses such as the "Teacher Incentive Program"; "Math and Science Partnerships" – which upgrade teachers' math and science skills; and, funding of the following: universal pre-K nationwide, successful education innovation programs, and a broad increase in teacher salaries – especially in poor districts. The teaching profession – given its critical role in the nation's future – should be accorded the esteem it is in other countries. Support for school lunch programs and digitalization should be enhanced in light of pandemic stresses.

**US primary and secondary education spending must increase** as it is a key driver of future workforce performance. At over 6 percent of GDP– US education spending is among the highest in the OECD, although the portion allocated to primary and secondary education is considerably lower than in peers.<sup>20</sup>

**Sharp increase in funding for K-12 STEM.** A major national effort in STEM, including computer science education, emulating the 1958 National Defense Education Act that was designed to improve science education in the wake of Russia's launch of the Sputnik satellite, is needed. The activities of the Committee on STEM Education (CoSTEM), of the White House NSTC, must be expanded, including a sharp increase in federally-funded STEM education and workforce training programs. CoSTEM's Strategic Plan should be upgraded and become a key input in the national Strategic Plan.

**Balanced solutions to education underperformance include:** deploying national standards like Common Core -- a curriculum that requires students to meet benchmarks at each grade level -- while allowing local autonomy to reach these goals; demanding school accountability, while funding federal mandates; and, committing to improving public schools, while allowing some competition, such as from charter schools.

**A balance between teaching transferrable skills and building knowledge should be struck.** Education innovation and school autonomy on teaching strategies should be encouraged.

**Civics education.** Civics – the study of the American system of government and how different forms of government operate around the world – will be essential to empowering citizens to confront threats to American democracy. These include cyber attacks, election interference, and voter suppression. Civics requirements in US schools are currently lacking.<sup>21</sup>

Labor economist Harry Holzer explained the importance of lifelong learning: “New forms of automation will likely require workers to adapt to keep their old jobs, while many will be displaced or face less demand for their work (while others benefit).”

5. **Job Training Nation. Lifelong Learning for Workers.** *The US must also become a “job training nation”. “Policymakers should provide incentives for firms to train current employees, rather than replace them, and should encourage schools and colleges to teach flexible, transferable skills, as the future workforce will likely need to adapt quickly to new and changing job requirements... Lifelong learning accounts for workers could help. Expanding wage insurance and improving unemployment insurance and workforce services could also help workers adapt after suffering job displacement,” according to labor economist Harry Holzer.*<sup>22</sup>

**The US government should roll out Lifelong Learning and Training Accounts (LLTAs).** The Aspen Institute has proposed the creation of LLTAs that millions of Americans could access – funded jointly by workers, employers and the government. Such a program could cover 23 million workers, nearly 80 percent of them low-wage earners, and cost the government approximately \$25 billion over ten years. Singapore does this; so can the US.<sup>23</sup>

**Expand workforce training in STEM, computer science, AI, and other technical skills.** The US is ranked only 27th in technology (ICT) adoption worldwide, according to the WEF, vs. Korea’s #1 ranking. Tech education should be lifelong and broad-based.

6. **Fund Basic Research.** *Basic research yields new knowledge that ultimately powers nextgen commercial applications. It is a classic and important public good that the market fails to provide, so the US government should step in.*

**Increase federal funding of basic research.** The federal government has funded 40-50% of the nation’s basic research in the past but the share has been declining since 2012. Overall US R&D spending growth has been below the average annual growth rate of the 1990s, and below rates seen today in competitor countries, such as China, Germany and Korea, according to the NSF. US business has been reluctant to fund basic research because of the long time lag to product development. Basic research only makes up a third of federal R&D spending, so there is room to increase this budget. In support of a US Strategic Plan designed to power innovation in the future, overall federal

R&D dollars should grow more rapidly, while the share going to non-defense basic research should also rise sharply.

**Reorient the federal R&D budget to sharply increase NSF funding.** One of the best ways to raise basic research dollars is to increase funding of the NSF, because nearly ninety percent of its R&D budget goes into basic research. In 2019, of the US government's total budget for R&D of \$142 billion, 40 percent went to the Department of Defense (DoD). Most of this was channeled into the development of combat systems; and, more than half goes to the defense industry. Thus, about one-fifth of total US federal R&D spending is essentially a subsidy program for defense firms. Without compromising national security, the US government should rethink R&D. Its R&D budget should be increased and reoriented toward basic research.

**The NSF is underfunded, receiving under 4.5% of total federal R&D dollars in 2019,** or about \$6 billion, and its share has been declining. By bolstering basic research through sharp increases in NSF funding, the US government could support intellectual property (IP) development across the economy – a key component of competitiveness in knowledge-based industries. This would ultimately have a positive impact on national security.

**Robust funding of non-life sciences basic research at the nation's research universities.** Health and Human Services (HHS), after DoD, is the next largest recipient of the federal R&D pie, receiving over a quarter. About half of HHS's budget is for basic and half for applied research – almost all going to the National Institutes of Health on its way largely to academic institutions, notably, medical schools. While the importance of this funding has been underscored by the pandemic and should not be neglected, nor should the non-life sciences portion. Nearly 60 percent of R&D spending at academic institutions is in the life sciences. The remainder is split among engineering, physical, social and geo sciences, and computer science and math. These areas need sharp increases. The Department of Energy and NASA receive the next largest shares of the R&D pie after HHS – each with about 10 percent. A substantial portion of Energy's R&D goes to defense-related activities – i.e. nuclear security. NASA's budget is more than half for development – much of it channeled to outside parties (largely firms), though its basic research component has increased significantly too.

**Basic research dollars should increase at other agencies** – such as the ARPAs, and the climate and environmental agencies, including EPA (which has had its research budget cut under Trump) and NOAA. The AI R&D Strategic Plan launched by Obama seeks to sharply increase AI R&D funding across all agencies engaged. The Select Committee on AI, launched by Trump, including representatives of the NSF and ARPAs, should drive this process, increasing and coordinating the AI R&D budget. Likewise,



funding for other basic R&D priorities, such as quantum computing and low-carbon technologies, should not be neglected.<sup>24</sup>

7. **Go All-in on Globalization, though Smartly.** *To get globalization and multilateralism back on track, the US government should recommit to the WTO, naming adjudicators to the Dispute Settlement Mechanism (DSM). It should pursue claims of unfair trade practices through the DSM and other multilateral mechanisms and re-engage with the Transpacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), and with China to address the US's legitimate grievances.*

**Peterson Institute of International Economics** estimates that Trump's trade war with China and the US withdrawal from TPP will leave the US \$35 billion poorer than without such actions (Petri & Plummer, June 2020). A recent **IMF study on China** and a study by the **US International Trade Commission** on trade agreements more broadly showed that the US has benefitted overall from trade liberalization. Nevertheless, **Autor, Dorn and Hanson's pathbreaking analysis** of the impacts of trade with China indicate that classes of workers and regions have been negatively impacted over the long term. Job training and adjustment assistance are therefore critical components of globalization, most economists agree.

**Negotiate hard but don't wreck the global economy.** Trade can be messy, with some countries seeking advantage in specific products. Disputes occur, but the rules provide a mechanism for dispute settlement. More can be done to penalize cheaters, but the most effective way to do so is to act multilaterally with like-minded countries. Bullying may at times reap short-run gains, but almost always ushers in disaster – tariff wars and currency devaluations, which as we know deepened the Great Depression. Trump's trade war with China will result in lower economic growth for the US, according to leading economists.

**Increase adjustment assistance to alleviate the negative impacts of trade competition.** The US government should direct workforce training programs and adjustment assistance to those industries and regions negatively impacted by trade competition. Labor market disruptions from trade have angered electorates in recent years. There has likewise been a reaction against immigration worldwide. Pressure on political leaders to pull up the drawbridges has intensified. As a result, trade growth has slowed, cross-border capital flows are down, and investment has been sidelined. On top of the Covid crisis, a sharp slowdown in global growth resulting from a retreat from globalization could trigger prolonged recession or at least subpar growth. Advanced countries like the US shouldn't hide – shouldn't protect domestic firms – they should retrain, retool and compete.

**The nature of globalization is changing, and it may be to America's advantage.** A labor-cost advantage in manufacturing, which benefitted China, may no longer be the key driver of trade. Knowledge-intensive services will be. Trade in services – a US strength – was growing 60 percent faster than goods trade globally before the pandemic. US services exports have grown faster than goods exports over the last ten years. The US is competitive in financial services; IP, R&D and technology services; and, business services, including architectural, engineering, management consulting, legal, accounting, public relations, and advertising services.<sup>25</sup> This is why market access for services is more important than the high-profile trade battles Trump loved to fight.

**Return to trade agreements and WTO support.** Market access for services was a centerpiece of TPP, the Obama-era trade deal covering countries representing about 40 percent of global GDP, designed to cajole China into playing by the rules. The thinking was that when China understood what it stood to lose by being outside TPP, it would agree to protocols on services, IP protections and government support of industry. Instead, China now leads the Regional Comprehensive Economic Partnership (RCEP) in Asia, excluding the US and including America's Asian allies. Withdrawal from TPP in January 2017 was Trump's first policy blunder. But, let us recall that opposition to TPP originated on the left with Bernie Sanders. So, hard work is required in order to explain the gains from trade to the American audience. The Transatlantic Trade and Investment Partnership (TTIP), a deal under negotiation between the US and EU during the Obama years, has also been shelved. Returning to these deals and engaging with China multilaterally on US complaints are critical to American success.

**Getting tough on trade within a rules-based framework.** The Obama administration brought 18 complaints against China to the WTO – challenging its government support of industry – resolving 11 of them by 2016. In fact, the US has been the most active user of the WTO's Dispute Settlement Mechanism (DSM), filing 110 complaints from 1995-2016, about a fifth of all complaints. The US should return to globalization with an even more muscular engagement with these mechanisms to resolve its just complaints.<sup>26</sup>

**Trade and National Security.** President Trump misused executive power by invoking national security as a justification for tariffs against the EU, Canada, Japan and Mexico – US allies all. There are nonetheless legitimate national security issues to deal with. Concern about the dominance of Huawei, China's telecoms giant, in 5G equipment is not unreasonable. The possibility that Huawei equipment could possess a "backdoor" to allow this firm – and potentially the Chinese government – to spy is a reason for caution. Exploring 5G alternatives should be part of the US Strategic Plan.

**Supply Chain Resilience.** The pandemic has pointed up the vulnerabilities multinational firms, including American ones, have due to the globalization of production. The private sector Advisory Board of the CFE should engage on this issue, developing an action plan for US firms to reap the efficiency gains from globalization, while strengthening and diversifying their value chains.

**Government Safeguard of Intellectual Property.** While the flow of capital should remain relatively free, the efforts of foreign investors (notably from China) to transfer technology to home countries require caution. A government view into and capacity to control the flow of sensitive technologies and data could help safeguard industrial secrets, personal privacy and national security. Legislation reforming the Committee on Foreign Investment in the US (CFIUS) passed in bipartisan fashion in 2018. This makes sense. This legislation expands the powers of the interagency CFIUS to include

reviewing non-controlling foreign direct investment in sensitive technology, data and infrastructure sectors.<sup>27</sup> Cyber attacks, such as the one launched by a foreign power reported in December 2020, require redoubled efforts to secure critical data and networks.

**The US should pursue a merit-based, open immigration policy** similar to Canada's in order to keep its labor force growing and high-skilled. The free flow of people around the globe is economically efficient, and global GDP could rise sharply with higher levels of migration. Yet immigration is a hot button issue, as residents of almost any country may feel threatened – for their jobs, their culture, their national values. Trump's anti-immigrant rants have had a negative impact on the inflow of skilled labor. The NSF reports that, since Trump took office, the US has experienced a decline in international student enrollment in universities, including in S&E fields. Likewise, an increasing percentage of foreign students studying in US universities are returning home for their careers.<sup>28</sup>

**Employers should be given greater input into immigration policy**, like in Canada, to make sure the needs of the labor force are met. Deploy technology at the border to control the inflow of immigrants and refugees, yes. Pass “Dreamers” legislation to deal with past illegal immigration, yes. But, allow the flow of students and skilled labor into the economy and cease the worst un-American actions against refugees and immigrants.

8. **Roll out a Low Carbon Plan.** *The federal government should convene an interagency climate change committee to roll out a low carbon plan, effectively constituting the CFE's Subcommittee on a Low Carbon Future. Adequate funding for agencies engaged in climate science and policy must be appropriated. Silo-busting is critical, by for example encouraging federal agencies to work with corporate innovators on sustainability. Tax breaks, loopholes, and subsidies to the fossil fuel industry must end immediately. President-elect Biden's appointment of former Secretary of State John Kerry to be the nation's “climate czar” is a welcome move to raise the profile of this challenge.*

**A low carbon plan should focus on:** carbon pricing, carbon capture and negative emissions, geoengineering, renewable energy, and emissions reductions. A return to Obama-era policies would be a good start.

**A carbon price (e.g. the SCC or Social Cost of Carbon, begun under Obama) should be assessed as a tax on fuel** – on suppliers of coal, oil, and natural gas. A tax should also be assessed on other activities with a greenhouse gas footprint – such as forestry, cement, transportation, mining and drilling. Getting the SCC right is tricky, with the range of estimates wide – reaching as high as \$130 per metric ton in Sweden. The SCC is designed to reflect the full cost of releasing one ton of carbon into the atmosphere. The IMF has suggested that \$35 (close to Canada's carbon price) would

imply that most countries would meet their Paris accord pledges. But the agency has indicated that, effectively, the price of carbon released currently worldwide, given widespread subsidization of fossil fuels, is ~\$2 per ton. The U.S. should set a price of at least \$35 – following up with step-wise annual increases.<sup>29</sup>

**Reducing carbon and greenhouse gases already in the air is critical.** Carbon capture and storage (CCS) technology – i.e. targeting emissions from power plants – and negative emissions technologies (NET) – designed to take CO<sub>2</sub> out of the atmosphere and store it (in soils, wetlands, plants, minerals and rock formations) -- should be supported through tax incentives and budget allocations. Likewise, funding for geoengineering research, e.g. cloud whitening that could reflect away sunlight and reduce global warming, makes sense.

**Fiscal support is required for:** renewables; coal-fired plant closings; gas turbine emissions cuts; the rollout of hybrid power plants that use renewables as well as gas; aircraft engine fuel efficiency upgrades; methane capture at landfills; and, development of low carbon transportation systems. An attractive trade-in plan and a phasing out of advertising for gasoline-powered cars would be positive. High speed rail and transit, e-cars and nationwide charging stations, investment funding for EV manufacturing, purchasing e-cars for the federal fleet, e-car share fleets, support for e-buses, and night delivery services and parcel lockers in urban areas are worth supporting. The development of hydrogen-powered fuel cell cars and a shift to carbon-sensitive agriculture should be incentivized. R&D efforts to obtain cost declines in lithium-ion battery storage, and into potential renewables storage such as molten salt are worthwhile. Tax exemptions should be allowed on e-bonds for green infrastructure.

**Reaching the EU's share of renewables (30 percent of total power generation), up from America's 17 percent, should be a near-term goal.** Energy efficiency upgrades for existing buildings – and a national zero carbon standard for new buildings – are needed. Tax breaks to homeowners to switch home heating and air conditioning to renewables and for solar panels are key. Electricity transmission and grid modernization to handle renewables, and the use of smart grid meters to conserve energy, are worthy goals. Sulphur hexafluoride leaks in the electrical industry must be controlled.

**Adoption nationwide of low carbon policies already deployed in the states would be wise.** California sets tough standards on the environment, notably for greenhouse gas emissions. Its standards should once again guide other states and ultimately national policy.<sup>30</sup> Massachusetts Congressman Seth Moulton's idea for a green national service corps makes sense – to get college graduates and unemployed workers involved – with student loan reduction and lifelong learning credits provided in return.

**Investing in the “new plastics economy”**, i.e. funding R&D into sustainable (biodegradable) plastics and targeting the EU’s 55 percent recycling goal by 2030, is important to the world’s oceans.

## Politics

9. **Combat Populism.** *Populism is an approach to politics that champions the common person over elites – which is its appeal. Yet it usually descends into economic mismanagement and an undermining of democratic institutions. Low quality tax cuts and government spending hikes, financed by debt and money creation, juice the economy in the short run. Measures to protect domestic firms such as tariffs and to shut down immigration fire up the populist’s nativist base.*

**Populists often weaken democracy by using the powers of government, as well as the media, to tilt institutions in their favor.** Rewarding allies with tax cuts and spending initiatives, and punishing opponents with investigations and harassment, are part of the populist playbook. When political parties, the press, law enforcement, and the courts function independently, they get in the way of the populist’s direct connection to the people.

**Journalists must be supported and protected**, such as through funding of The Committee to Protect Journalists. One of democracy’s selling points – since it first challenged monarchies centuries ago – is its commitment to the truth. If democracy can no longer make that claim, then authoritarianism becomes more appealing. When investigative journalists – who work tirelessly, sometimes at personal peril – cannot do their jobs, the electorate becomes less informed. Independent fact-checking entities, such as FactCheck.org and PolitiFact.com, are essential, as is a renewed commitment by news editors around the country to expand internal fact-checking resources. Private donor support of these efforts is recommended.

**Funding of the Office of Technology Assessment** is needed to ensure that Congress itself is rooted in the facts. This office provides technical information to Congress, independent of the executive branch. Ensuring the dissemination of science and the results of other fact-based inquiry is essential to the success of democracy. Political leaders should support standards of decency and accuracy in political advertising.

**Cyber defenses require strengthening** through: 1) regulatory pressure on social media to counter extremism, police political advertising, and detect and close down disinformation campaigns; 2) the FBI working with states and political parties to strengthen defenses against election hacking; and, 3) Congress passing legislation that penalizes and prosecutes entities involved in disinformation or hacking, and requires campaigns with knowledge of foreign interference to notify the FBI. Likewise, a whole-of-

government approach is needed to secure the nation's networks, both public and private, and to prevent data breaches, underscored by the December 2020 report of a massive foreign cyber attack.

**Legislation to increase internet platform responsibility.** Congress should consider legislation to increase the responsibility of internet platforms for user-posted content. Social media firms likewise should be required to establish proof of user-identity before opening accounts, in order to prevent access to bots and trolls.

**Advocacy group for civil servants.** The country requires a group to advocate for civil servants and more broadly for “good government” – analogous to journalism’s Committee to Protect Journalists. Such a non-profit that supports civil servants and good government should attract donor support. Transgressions of civil servants should be investigated and exposed, which is why the “inspector general” (IG) function in government is so important. This was illustrated effectively in December 2019 with the release of the Justice Department’s IG report on the FBI’s investigation into the Trump campaign’s potential coordination with Russia, which found no evidence of political bias by the FBI nor any program of “spying” on the Trump campaign.

10. **Counter Polarization.** *Polarization has risen in recent years due to increasing income and wealth inequality, as well as rules and practices in politics that heighten polarization, including gerrymandering of election districts and partisan campaign financing.*

**To counter polarization, policies that reduce income and wealth inequality are essential** – including adjustment assistance, education and training, and adequate health care (discussed above). To counter polarization of the news media, legislation should be passed that resurrects the Fairness Doctrine, a 1949 ruling that had required the media to broadcast opposing viewpoints but was revoked in the eighties. Also worthwhile is private donor support of local newspapers, which are in decline, as

**Political scientists Mickey, Levitsky and Way** argued that America only became a “full democracy” in the second half of the 20<sup>th</sup> century -- in the sense that universal adult suffrage and protection of civil and political rights were broadly provided. Passage of the Voting Rights and Civil Rights Acts in the 1960s finally enfranchised African-Americans in the South -- a region that had practiced a form of authoritarian rule since Reconstruction. Single party rule under the Democratic Party had disenfranchised African-Americans and many poor whites. Paradoxically, the democratization of the South increased the polarization of America’s political parties – with southern whites identifying heavily as Republicans and African-Americans largely aligning with progressives in a reformed Democratic Party. (Foreign Affairs, 2017)

research indicates that local news reduces polarization. And, as discussed above, greater policing of extremism in social media is needed.

**Reforms to improve centrists’ chances of winning elections.** Only an energized centrist leadership can contain polarization. Such reforms include: moving to open primaries that allow independents to vote; considering the option of ranked voting, as practiced in Maine, where voters can rank their preferences for multiple candidates including independents; increasing voter turnout by fixing a single date for non-presidential primaries and declaring an election day holiday for the general election; strengthening the US Postal Service through increased federal funding to diminish the risk of voter suppression and facilitate the option of mail-in voting, successfully implemented in the 2020 election and in some states prior to the pandemic; shortening the duration of election campaigns by law; imposing greater transparency of campaign finance data; issuing a presidential order requiring corporations to disclose campaign financing data as a condition of winning federal contracts; limiting campaign contributions and election spending as in Canada (if constitutional); robust court challenges and/or constitutional amendment efforts to overturn “money as free speech” rulings, such as Citizens United and Buckley v. Valeo; and, other measures to prevent voter suppression, including extending the period before an election where voter rolls cannot be purged, and automatic voter registration at age 18 and/or for driver’s license holders as planned in New York State.

**Rules changes that reward consensus and fast-track legislation with supermajorities could rebuild the center in Congress.** For example, the Problem Solvers Caucus – a bipartisan group in the House of Representatives – has suggested that any bill with support of two-thirds of House members should move to a floor vote within thirty days. Similarly, there is a proposal that amendments for bills with three-fifths support be prohibited. Congress should permanently authorize and adequately fund and staff the Select Committee on the Modernization of Congress, charged with improving operations. This Committee should be directed to consider rules changes that reward consensus. Elimination of the federal debt ceiling to avoid brinkmanship makes sense as well – replacing it with debt and deficit targets.

**Institutionalize regular meetings of legislators of both parties to explore areas of common ground.** These include: Senator Mitt Romney’s suggestion of reinstituting the weekly bipartisan Senate meeting; and, former Governor Christine Todd Whitman’s suggestion that orientation of incoming freshman House members should be bipartisan.

**Deliberative negotiation must become the norm.** When the “regular order” of committee deliberations fails, the Congressional “gang” approach should be deployed. With an appropriate number of senior members of Congress and executive branch

leaders, deals could be negotiated. Procedures should include: regular meetings of “gang” members to create a climate of trust; utilization of non-partisan expert commissions to propose reforms; linkage of low and high priority issues; and, the involvement of the NGA to keep state and local governments in the loop. At the final stage, a senior group should be empowered to make decisions. These initiatives – many of them elaborated in the report, “Negotiating Agreement in Politics”, of the American Political Science Association (APSA) – could serve to counter the pernicious trend toward polarization in America. This proposal is in no way designed to compromise the democratic process, as all legislation must be voted on by both houses of Congress. Deliberative negotiation simply empowers centrists to put legislation on the agenda that reflects majority opinion and has been considered by non-partisan experts.

**Majoritarian vs. proportional representation systems.** America has a majoritarian democracy, where the candidate achieving a plurality in an election district wins. This tends to favor large parties. Political scientists have historically viewed such systems as less prone to extremism than proportional systems, where multiple parties gain seats in proportion to their national vote. History provides some evidence of this. However, history can unfold in unique ways. It is possible in a majoritarian system that fringe elements capture control of a major party – with its ample resources, whereas in a proportional system a coalition of parties can encourage negotiation and moderation. In recent years, majoritarian systems in the US and UK point up this dynamic, while Canada’s does not. Labour and the Conservatives in Britain, just like the Democrats and Republicans in the US, have been pulled toward the poles. By contrast, in some proportional systems, such as in Germany and Sweden, centrist parties have negotiated coalitions that exclude extremists. This dynamic underscores the need for reforms that rebuild the center in the US.

**Values convention.** Initiating a national discussion on core values that a broad cross-section of society could agree on sounds like a castle in the air. But, it may be the only way to bridge the divide, to advance racial justice, and to sort out issues such as which hymn to sing, which monuments to keep, what protests to support, whether law enforcement needs reforming and how to do it, how immigration should be handled, and how to increase the overall level of decency in America. In such a national conversation, Americans could begin to perceive themselves as in the same boat with regard to the challenges ahead, rather than retreating to opposing camps. Human beings crave recognition. Much human conflict has been caused by the struggle over territory and material goods – but also by people not recognizing each other for who they are. What is needed is an interpersonal encounter where individuals, groups, races, religions -- all groups -- are recognized – recognized for *their* conceptions of themselves, not how others define them. A mutual, gratifying recognition can lead to a lasting agreement on a set of American values and on policies for the country to get its mojo back – to retool the American worker -- so the



country could begin to S.E.E. again. Recall Speaker Nancy Pelosi's words: diversity is a our strength; unity is our power.<sup>31</sup>

## *Conclusion*

Hegemonic Stability Theory (HST) posits that in order for Planet Earth to have a liberal global economy – in the sense of open markets, trade liberalization, the flow of capital, and some form of liberal migration – a global hegemon, a leading, powerful nation with the strongest economy, must underwrite the system by cajoling (not forcing) other nations to participate in it and to avoid cheating egregiously. Backers of this theory argue that during the hundred-year period from the Industrial Revolution in Britain to the First World War, such a state of affairs obtained under British hegemony resulting in free trade agreements, the Gold Standard and a dramatic increase in the flow of capital, and a major expansion of trade and economic growth around the world. Slavery, colonialism, oppression and illiberalism existed during this period, but proponents of the theory argue that, still, relatively free markets prevailed around the world, especially as compared to the period preceding it.<sup>32</sup>

Likewise, HST proponents argue, a similar state of affairs obtained under US hegemony following WWII, including a similar period of trade expansion, capital flows, and the spread of prosperity around the globe. And, again the latter period was not without its injustices and unequal treatment of people. The post-WWII period also included international institutions that supported globalization, including the IMF, World Bank and the GATT / WTO.

The theory suggests that when a hegemon declines, which is inevitable relative to the rising powers, the liberal global economic system becomes at risk. Some “liberal” HST theorists suggest that the international institutions named above can take on a life of their own even amid a hegemonic decline. This occurs as long as members, including the rising powers, buy in to (and benefit from) these institutions. Either way, HST grapples with the implications of “hegemonic decline”.

Is the US a declining hegemon? This is a complicated (and controversial) question. What is clear is that other countries -- the rising powers -- are closing the gap with the US. It is inevitable that a liberal global economy creates rising powers that catch up. As countries liberalize, they adopt best practices and grow rapidly. China will likely soon be the world's largest economy, India is growing fast, albeit from a low base, and Germany and the EU are major competitors of the US.

What is not inevitable is how fast and painful it will be for the US, as its lead narrows. (Political scientists talk about this as the phenomenon of *relative*, not absolute, decline.) Whether this “catching up” of other countries will be painful for the US and its people – as well as for US allies, international institutions, and the wider world – depends crucially on US policy.

Ten Point Plan does not seek to reverse the trend of other countries catching up to the US. It seeks to help the US become a successful country in the future economy, irrespective of how well other countries are doing.

The US dollar's dominance in the global economy remains intact (nearly 90% of all FX transactions involve the US dollar, and nearly 60% of all central bank reserves are held in US dollars). This has given the US what Charles De Gaulle once called an "exorbitant privilege" in the form of a first call on global savings. That is, the US government, even when running up deficits during the pandemic that other countries could not possibly dream of, can fund itself with little problem. Strong global demand to hold dollars persists, and given problems with all alternative currencies – e.g. the euro and the Chinese yuan – this will continue for some time.<sup>33</sup>

Nevertheless, arguably, Great Britain enjoyed this same privilege during the 19<sup>th</sup> century and into the 20<sup>th</sup> century. But, after running up its government debt from 27% in 1914 to 270% after WWII, Britain officially ended its hegemony in a currency crisis, imposing exchange controls, and coming hat in hand to the US for a loan.

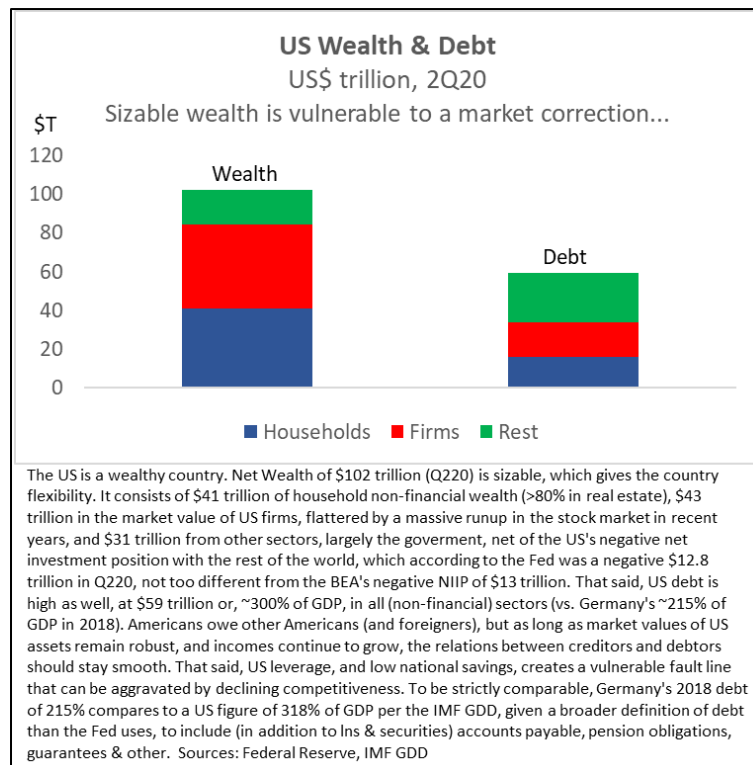
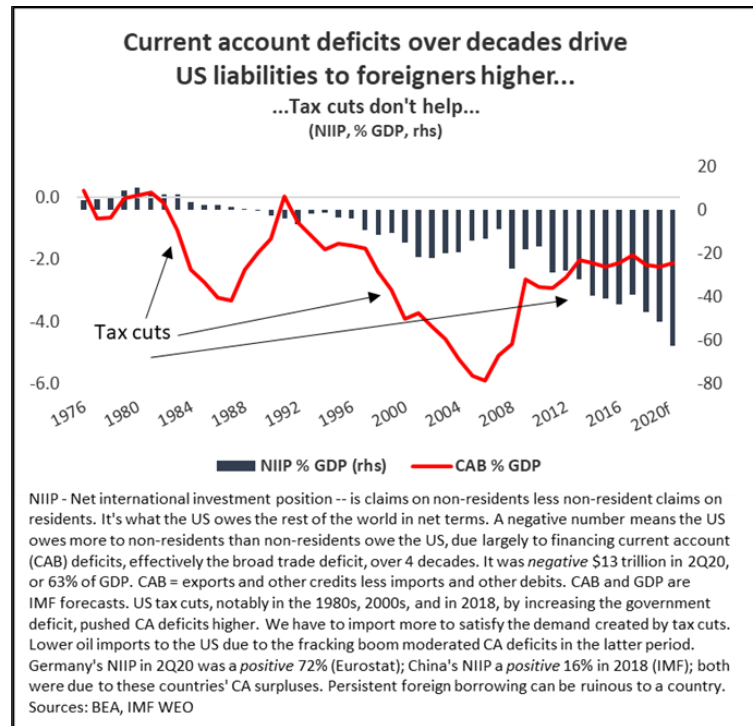
This is why an improvement in US national savings is so important, and why US debt rising rapidly, as forecast by the CBO, is so worrying. The first chart on p. 35 shows how four decades of US current account deficits, caused by poor savings behavior of the US government and households, has required heavy foreign borrowing. This has led to a negative Net International Investment Position, or NIIP (that is, US assets in foreign countries are less than foreigners' ownership of US domestic assets). The US's NIIP was negative to the tune of 63% of GDP by end-June 2020, versus Germany's positive NIIP, totaling 73% of German GDP at the same time. The US owes and Germany lends.

Yet the US is a wealthy country, as reflected in the second chart on p. 35. In that chart, the US Federal Reserve estimates that US net wealth exceeded \$100 trillion at end-June 2020. The US also showed a debt burden, economy-wide, of \$59 trillion (or ~300% of GDP), owed by government, households and firms. Much of that debt was Americans owing other Americans, but not all of it. Moreover, the US's net wealth position has been flattered by a runup in the stock market, which could reverse.

So, again, as was stated at the start of this paper, the US is a wealthy country with a lot of strengths. Nevertheless, better finances, i.e. higher national savings and lower debt, a better-run government (deploying strategic planning toward success in the future economy), and the full gamut of S.E.E. policies that would underpin this success *would make America's future brighter*.

The ultimate goal of Ten Point Plan?

To empower the American worker to go the distance, so s/he can emerge as a formidable contender in the main event on Planet Earth – the bout known as globalization and technological change.



## Endnotes

<sup>1</sup> OECD <https://stats.oecd.org/Index.aspx?DataSetCode=WEALTH>; IMF Article IV reports; [Federal Reserve wealth data 9/28/20](https://www.federalreserve.gov/wealth/); NSF S&E Indicators at <https://nces.nsf.gov/indicators/reports>; US Census at <https://www.census.gov/library/publications/2020/demo/p60-270.html>; IMF Article IV Staff Report US, 2019 & 2020.

<sup>2</sup> BLS <https://www.bls.gov/news.release/prod2.toc.htm> and <https://www.bls.gov/news.release/empstat.a.htm>; McKinsey May 2019 discussion paper on productivity; OECD MFP data; IMF Article IV reports; WEF GCI.

<sup>3</sup> OECD PISA 2018; OECD Education at a Glance; NSF Science & Engineering Indicators at <https://www.nsf.gov/statistics/seind/>; and, [TIMSS report for the U.S. \(Trends in International Mathematics and Science Study \(of the International Association for the Evaluation of Educational Achievement – IAE\), 2015 \(https://nces.ed.gov/pubsearch/pubinfo.asp?pubid=2017002\)\)](https://nces.ed.gov/pubsearch/pubinfo.asp?pubid=2017002).

<sup>4</sup> WHO - <https://covid19.who.int/>; For breakdown by race in US see CDC at <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/investigations-discovery/hospitalization-death-by-race-ethnicity.html>, and as quoted in IMF Article IV Staff Report US, 2020, p. 6

<sup>5</sup> See WB CO2 emissions <https://data.worldbank.org/topic/19>; for US largest cumulative, see NYT, Michael Shear; and, Justin Gillis and Nadja Popovich, June 1, 2017; see Union of Concern Scientists 2015 estimates: <https://www.ucsusa.org/global-warming/science-and-impacts/science/each-countrys-share-of-co2.html>; Top 20 CO2 emitters in 2015 in order: China, U.S., India, Russia, Japan, Germany, South Korea, Iran, Canada, Saudi Arabia, Brazil, Mexico, Indonesia, South Africa, U.K., Australia, Italy, Turkey, France and Poland. See McKinsey – Climate Risk and Response, January 2020.

<sup>6</sup> <http://www.elections.ca/content.aspx?section=res&dir=ces&document=part1&lang=e#p11>. <https://www.vox.com/2016/10/27/13425702/why-american-elections-campaigns-last-so-long>

<sup>7</sup> OECD PISA 2015, p. 44 on Canada

<sup>8</sup> IMF Article IV reports; Fitch Sovereign Data Comparator; OECD PISA

<sup>9</sup> OECD at <https://stats.oecd.org/Index.aspx?DataSetCode=WEALTH>

<sup>10</sup> The Guardian, Sept. 18 2015, at <https://www.theguardian.com/world/2015/sep/18/angela-merkel-sick-man-of-europe-germany-economy-chancellor>; DW, “German Issues in Nutshell: Hartz IV,” June 6, 2017 at <https://www.dw.com/en/german-issues-in-a-nutshell-hartz-iv/a-39061709>; Christian Odendahl, “The Hartz Myth: A closer look at Germany’s labour market reforms”, Centre for European Reform, July 2017; and, Alexandra Spitz-Oener, Harvard Business Review Case Study, “The Real Reason the German Labor Market is Booming,” March 13, 2017. Also see Christian Odendahl, “Germany After the Hartz Reforms,” Foreign Affairs, Sept. 11 2017 at <https://www.foreignaffairs.com/articles/germany/2017-09-11/germany-after-hartz-reforms>. See IMF Article IV Staff Report on Germany, July 2019, pp. 15-17: “The new government’s plans to provide full day primary education to all students by 2025 through enhanced collaboration between the Federal government and the Länder is a welcome and important step.” See also: Holly Young, The Guardian, Nov. 25, 2015 at <https://www.theguardian.com/teacher-network/2015/nov/25/what-can-we-learn-from-the-great-german-school-turnaround>; and, Florian Waldow, “What PISA did and did not do: Germany after the PISA-shock”, European Educational Research Journal, 2009, at <https://journals.sagepub.com/doi/pdf/10.2304/eej.2009.8.3.476>. On strategic planning, see <https://www.plattform-i40.de/I40/Navigation/EN/Industrie40/WhatIsIndustrie40/what-is-industrie40.html>; and, the German National Industrial Strategy 2030 at <https://www.bmwi.de/Redaktion/EN/Artikel/Industry/nationale-industriestrategie-2030.html>

<sup>11</sup> See Government of Singapore at

<https://www.mof.gov.sg/Portals/0/Feature%20Articles/Income%20Growth,%20Distribution%20and%20Mobility%20Trends%20in%20Singapore.pdf>

<sup>12</sup> See IMF Article IV report, <https://www.academia.sg/academic-views/covid-19s-implications-for-singapores-future-economy/>; Fitch Ratings Singapore sovereign reports.

<sup>13</sup> IMF Article IV reports on Singapore, US SSA, See Center on Budget and Policy Priorities. CBPP at <https://www.cbpp.org/>; William Haseltine, Affordable Excellence, Brookings Institution, 2013.

<sup>14</sup> See Future Economy Council at

<https://www.mti.gov.sg/FutureEconomy/TheFutureEconomyCouncil>

- 
- <sup>15</sup> <https://www.inc.com/glenn-leibowitz/apple-ceo-tim-cook-this-is-number-1-reason-we-make-iphones-in-china-its-not-what-you-think.html>  
<https://www.nytimes.com/2016/10/05/world/asia/china-president-xi-jinping-successor.html>
- <sup>16</sup> The Economist, August 13 2020
- <sup>17</sup> NSF Science & Engineering Indicators at <https://www.nsf.gov/statistics/seind/>.
- <sup>18</sup> See pp. 8 & 20 of  
<https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-271.pdf>;  
 and, Steven Brill, The Washington Post, "Nine ways to really fix Obamacare," June 30, 2017,  
 at [https://www.washingtonpost.com/opinions/nine-ways-to-really-fix-obamacare/2017/06/30/dc5a8fc4-5cfc-11e7-a9f6-7c3296387341\\_story.html?utm\\_term=.d7df835a8fca](https://www.washingtonpost.com/opinions/nine-ways-to-really-fix-obamacare/2017/06/30/dc5a8fc4-5cfc-11e7-a9f6-7c3296387341_story.html?utm_term=.d7df835a8fca)
- <sup>19</sup> See the work of Mark Bittman, Michael Pollan, Ricardo Salvador, Olivier De Schutter at  
<https://medium.com/food-is-the-new-internet/a-national-food-policy-for-the-21st-century-7d323ee7c65f>.
- <sup>20</sup> US Department of Education budget; OECD Education at a Glance
- <sup>21</sup> See <https://www.americanprogress.org/issues/education-k-12/reports/2018/02/21/446857/state-civics-education/>.
- <sup>22</sup> See [https://www.brookings.edu/wp-content/uploads/2019/05/201905\\_Holzer-The-US-Labor-Market-in-2050-Supply-Demand-and-Public-Policy.pdf](https://www.brookings.edu/wp-content/uploads/2019/05/201905_Holzer-The-US-Labor-Market-in-2050-Supply-Demand-and-Public-Policy.pdf)
- <sup>23</sup> See [https://assets.aspeninstitute.org/content/uploads/2018/05/Lifelong-Learning-and-Training-Accounts-Issue-Brief.pdf?\\_ga=2.74750482.1894486856.1560823428-1664743796.1560823428](https://assets.aspeninstitute.org/content/uploads/2018/05/Lifelong-Learning-and-Training-Accounts-Issue-Brief.pdf?_ga=2.74750482.1894486856.1560823428-1664743796.1560823428)
- <sup>24</sup> NSF
- <sup>25</sup> McKinsey, Globalization's Next Chapter, May 2019; BEA International Transactions
- <sup>26</sup> PIIE, Petri & Plummer, East Asia Working Paper, June 2020; PIIE, Bown & Keynes, WTO, March 2020; Eurasia The Transpacific Partnership 2015
- <sup>27</sup> See Committee on Foreign Investment in the US (CFIUS) at  
<https://home.treasury.gov/policy-issues/international/the-committee-on-foreign-investment-in-the-united-states-cfius>; on trade and national security, see Clark Packard, Foreign Policy, May 4, 2019, <https://foreignpolicy.com/2019/05/04/congress-should-take-back-its-authority-over-tariffs-trump/>. See New Democrat Network at <https://www.ndn.org/blog/2019/02/ndn-supports-bicameral-tariff-bill>: "NDN is pleased to endorse and support the Bicameral Congressional Trade Authority Act of 2019, introduced on January 31st, 2019 in the House and Senate. Huawei – Yuan Yang, ft.com, April 24, 2019; <https://www.cnn.com/2019/03/11/politics/us-germany-huawei-letter/index.html>; and, <https://www.theguardian.com/technology/2019/apr/30/alleged-huawei-router-backdoor-is-standard-networking-tool-says-firm>.
- <sup>28</sup> See <https://openborders.info/double-world-gdp/>. OECD report on Canada's immigration system: <https://www.oecd.org/canada/canada-has-the-most-comprehensive-and-elaborate-migration-system-but-some-challenges-remain.htm>.
- <sup>29</sup> See IMF WP/19/89, May 2019: "Global Fossil Fuel Subsidies Remain Large: An Update Based on Country-Level Estimates"
- <sup>30</sup> See <https://www.politico.com/states/california/story/2020/11/10/how-california-will-shape-us-environmental-policy-under-biden-1335423>
- <sup>31</sup> See Evangelia Sembou, "HEGEL'S IDEA OF A 'STRUGGLE FOR RECOGNITION': THE 'PHENOMENOLOGY OF SPIRIT'", History of Political Thought, Vol. 24, No. 2 (Summer 2003), pp. 262-281; and, Kant; Existentialism of Jean-Paul Sartre, Camus, L'Homme Revolte; Frantz Fanon, Black Skin, White Masks (1952) and The Wretched of the Earth (1961). See Pelosi at [https://www.realclearpolitics.com/video/2019/07/12/pelosi\\_on\\_alexandria\\_ocasio-cortez\\_feud\\_diversity\\_is\\_our\\_strength\\_unity\\_is\\_our\\_power.html](https://www.realclearpolitics.com/video/2019/07/12/pelosi_on_alexandria_ocasio-cortez_feud_diversity_is_our_strength_unity_is_our_power.html)
- <sup>32</sup> See Robert Gilpin, *Global Political Economy*, 2001, Chs. 1 & 4
- <sup>33</sup> See IMF COFER report on central bank reserves at <https://data.imf.org/?sk=E6A5F467-C14B-4AA8-9F6D-5A09EC4E62A4>; and, BIS FX market data at [https://www.bis.org/statistics/full\\_data\\_sets.htm](https://www.bis.org/statistics/full_data_sets.htm).