

November 6, 2008

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Ambassador's Corner

## WEEKLY MESSAGE FROM AMBASSADOR JOHN BRUTON

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### A New Deal for the World

The election of Senator Barack Obama as President of the United States creates a new opportunity for the world.

For the first time, an African-American will occupy the White House, a building that was constructed in the late 18th century with the aid of African-American slave labor. A page has been turned. The support that Senator Obama obtained shows how much the United States has changed since the United States Supreme Court in 1954 declared that the concept of "separate but equal" education was unconstitutional in the Brown vs. Board of Education of Topeka case.

The challenge the new President faces is enormous. The financial crisis is but one of the problems he must overcome. He also has to deal with the existential threats to mankind caused by nuclear proliferation, and by climate change.

In a sense, these three challenges boil down to a single one: now that we have created a world where nations are more inter-dependent on one another than ever in human history, how can that world be governed so that we do not damage one another in our attempts to protect ourselves?

In attempting to answer that question, it is well to recall the words of President Abraham Lincoln, who said early in his exceptionally challenging Presidential term:

"The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise — with the occasion. As our case is new, so we must think anew and act anew. We must disenthrall ourselves, and then we shall save our country."

Many throughout the world see the need to disenthral ourselves from past dogmas, and think anew about all our challenges, from peace in the Middle East to climate change.

Another United States President of the past, Franklin Delano Roosevelt, was recalled in the statement issued by the President of the European Commission, Jose Manuel Barroso, when he congratulated Senator Obama on his election as President.

President Barroso called for a &ldquo;New Deal&rdquo; for the world. Many would agree that that is exactly what the world needs now.

It is interesting to recall how the original New Deal actually came about. Most of its detailed content was not contained in President Roosevelt's election program. On the contrary, he even promised a balanced budget. The New Deal emerged from a process of vigorous and purposeful pragmatism. Stratagems were tried, those that worked were retained and those that did not were dropped. The defining characteristic was a willingness to experiment.

During his election campaign, Senator Obama showed himself to be open to new approaches to old problems, notably in declaring a willingness to talk to people to whom the current Administration would not have been willing to talk.

President Obama will find a world that is ready to respond to pragmatic and open-minded leadership from the United States. He will be dealing with a world that increasingly recognizes that all its problems, and the solutions to those problems, are linked with one another.

There are links between nuclear non-proliferation, the safe expansion of civil nuclear power and climate change.

There are links between climate change and trade policies.

There are links between a possible global trade agreement and restoring confidence to financial markets.

And confidence to financial markets is linked in turn with reorganizing the system of governance of the world through the United Nations, the IMF and other such global bodies.

Legally, the negotiations on each of these topics are separate from one another, and will remain so. But the possibility exists of forging political compromises across the range of negotiations that will allow every country in the world to have a sense of ownership of the overall outcome. This is the sort of creative political thinking that is needed at this time.

## A huge agenda at home

Of course, the incoming President and Congress also face a huge domestic agenda. It is important that those of us who demand his attention to international issues recognize this.

Healthcare comes close to the top of the US domestic agenda, if not at the very top.

The website of the Commonwealth Fund, a think-tank based in New York, illustrates the American healthcare challenge very well.

It measured what it called levels of mortality &ldquo;amenable to healthcare&rdquo; &ndash; in other words, deaths that could have been avoided if the right medical care had been available.

Although it spends almost twice as much on healthcare as most European countries, the United States has a much higher rate of &ldquo;mortality amenable to healthcare&rdquo; &ndash; in other words of medically preventable deaths, than most other developed countries.

In 2002/2003, mortality amenable to healthcare in the United States was 110 per 100,000 people, as against just 65 in France, 74 in Spain and Italy, 82 in the Netherlands, Sweden and Greece, and just over 90 in Germany and Finland.

But there are big variations within Europe. Ireland and the United Kingdom both had rates of mortality amenable to healthcare of 103, which is closer to the US level of 110. Likewise, there are wide variations within the United States itself, with the District of Columbia having a medically preventable death rate of 160, as against just 70 in the best-performing US state.

The Commonwealth Fund makes suggestions as to how these deaths can be avoided by changes in health policy, and in particular it urges changes in the way doctors and other health personnel are paid. It is against the present fee-for-service approach, which it feels puts insufficient emphasis on preventive medicine.

But the challenge of improving health is much wider than the healthcare system itself. It appears that better educated people are, the longer and healthier they live.

The "Strong American Schools" Organization claims that those who stay on in high school and graduate live on average 9 years longer than those who drop out!

It says two-thirds of the inmates in State and Federal prisons are high school drop-outs. It remarks that the United States spends almost three times as much per prison inmate as it does per student in school.

It highlights the linkage between poor performance in mathematics and science in the schools and the economic competitiveness of the country. It claims that 93% of American science teachers have little or no training in science, and that a third of high school math classes are taught by someone who lacks even a college minor in a math-related field.

It draws attention to the fact that students in the United States spend fewer hours per year in school than is the case in most other OECD countries.

Education is, in the United States, primarily a responsibility of state and local government, but Presidential leadership will be important in creating a climate of opinion in which educational outcomes are improved. Senator Obama recognizes the importance of this. For example, one of the suggestions he made in the campaign was that science and mathematics teachers might be paid more than other teachers, so as to attract more people with science and math qualifications into the teaching profession.

Future of the Lisbon Treaty &ndash; Can Ireland ratify?

Last week, I visited Ireland to speak to a Committee of the Irish House of the Oireachtas (Parliament) on the challenges facing Ireland in the European Union following the rejection of the Lisbon Treaty in a referendum there last June. I prepared a detailed written submission for the Committee which can be accessed at:  
[http://www.eurunion.org/eu/index.php?option=com\\_content&task=view&id=2940&Itemid=152](http://www.eurunion.org/eu/index.php?option=com_content&task=view&id=2940&Itemid=152) .

I also had discussions with the Irish Economic and Social Research Institute, the Department of Foreign Affairs, and with two major American companies with bases in Ireland that have invested heavily in the European Union, namely Intel and Microsoft.

A visit to New York

This week I went to New York to have a discussion with the Securities Industry and Financial Markets Association, the American Business Forum on Europe and the United States Council for International Business.

One focus of our discussion was preparation for the Summit taking place in Washington on November 15th on the global financial situation. This Summit will be attended by the leaders of G-20 countries, together with their finance ministers, as well as the President of the European Commission and the highest representatives from the World Bank, the International Monetary Fund and the United Nations.

In the discussions in New York, we also dealt with the need to improve surveillance of financial institutions to avoid a repeat of the present gridlock in credit markets. Coordinating surveillance across borders will be crucial. Extending surveillance to those not adequately supervised at the moment, such as mortgage lenders, rating agencies and investment funds, will have to be part of a global response to the crisis.

But, equally, we must ensure that, in seeking to reduce the risk of a recurrence of the present difficulties, we do not throw away the efficiency gains that have come from financial integration across national borders.

In that context, I briefed the organizations I met in New York on progress towards the establishment of a Single Euro Payments Area. This will come into force on the 1st of November 2009 and it will enable people throughout the 15, and by then 16, countries in the Euro zone to make payments in other Euro area countries as quickly and as safely as they can at home. A huge investment has been made by banks in Europe to bring this about. It has involved investment in technology and standardization of procedures.

The new system will allow direct debits across borders, allow people to have one bank account that would cover their needs throughout the entire Euro area and reduce the delay in transferring funds from 5 days to one day. It will also facilitate economies of scale in all forms of business, including banking itself.

A recent study carried out for the European Commission estimates that the Single Euro Payments Area will bring savings of up to 123 billion Euro over the next 6 years. If the system is extended to include e-invoicing, savings of a further 238 billion Euro could be achieved.

Please send me your comments about this or any of my weekly messages or other EU matters. I look forward to hearing from you!