
August 20, 2009

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Ambassador's Corner

WEEKLY MESSAGE FROM AMBASSADOR JOHN BRUTON

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A Visit to the State of Delaware

Last week I visited the State of Delaware, the second smallest state in the Union after Rhode Island. It was the first state to ratify the Constitution of the United States, in December 1787.

The Dutch were the first Europeans to establish a presence in Delaware, in 1631. Their colony failed. Next came the Swedes in 1638 who established Fort Christina, on the site of what is now the State Capitol of Wilmington. The Dutch returned in 1651 and set up the town of Newcastle. But they in turn were removed by the British in 1664, in an expedition that was led by James, Duke of York, who later became James II, the last Stuart King of England who was removed from the throne by Revolution in 1688.

A highlight of my visit was my meeting with the Mayor of Wilmington, James Baker. He is in his third term as Mayor. Prior to that, he was President of the City Council and the first African-American to hold the position in the city's long history.

He said he believed that more emphasis should be placed on the development of small businesses as a strategy to beat the recession. He felt that cities, rather than State Governments, should have a bigger slice of the stimulus spending because more people lived in, and relied upon, cities for employment.

He told me of measures he was promoting to improve Wilmington's water supplies, including desalination of sea water. He is promoting solar panels and improvement of insulation (or weatherisation) of public housing.

He stressed the importance of arts, especially in tough economic times. He told me he leads groups of local people on tours of the art galleries and museums in Wilmington, and noticed that many people who had never been to an art gallery before in their lives got great benefit from the experience.

While in Wilmington, I also met with the DuPont Company and their Chief Executive Officer, Ellen Kullman. She is the first woman CEO of this company in its 206 year history, and is a native of Delaware.

Amtrak National Training Center

Amtrak is the largest operator of train services in the US. Wilmington is the home of Amtrak's National Training Center where its engineers and other specialist staff from all over the US are trained. I was given an opportunity by Stephen Strachan of Amtrak to "drive" a train from Providence to Boston in the special simulator Amtrak has installed at Wilmington to train their drivers to cope with all the things that can surprise them in the course of a train journey. The speeds simulated go as high as 110 m.p.h. The simulator is an exact replica of a driver's cabin in a modern train, and images out the window are what one would see if one was actually driving a train from Providence to Boston. In other words, I fulfilled my boyhood dream of driving a train – and amazingly no one was even injured!

The simulator in Wilmington is based on a French design, emphasising the close cooperation between Europe and the United States in rail development. President Obama has recently provided significant sums in the Stimulus Bill to invest in high-speed rail services in the US. Europe has considerable experience in this field, and high-speed trains have dramatically reduced air travel between certain points in Europe (e.g. between Paris and Lyon) with large savings in CO2 emissions.

Tri-State Bird Rescue and Research

One of the responsibilities of the European Union is the protection of birds and other wildlife. In their migrations, birds cross political boundaries so a continent-wide protection programme is essential. Under the Wild Birds Directive, the EU requires its Member States to have special protection areas for migratory or vulnerable species. There are nearly 5,000 such special protection areas in the EU. But despite this, 43% of Europe's bird species are threatened or face serious decline.

I was delighted to have the opportunity, during my trip to Delaware, to visit the Tri-State Bird Rescue and Research Station in Newark. This centre was originally established in 1976 through the dedicated work of one individual, Lynne Frank, as her response to a colossal threat to bird life arising from a large oil spill in the Delaware River. Experts from the centre have since helped in dealing with the consequences of oil spills all over the world, including in Europe.

The station in Newark is a state-of-the-art facility where rescued birds are cleaned up, their injuries treated and restored to health for release back into the wild. Baby birds, whose parents have been killed, are also looked after. I was amazed to discover that a baby bird has to be fed once every 15 minutes, 12 hours out of the 24. It is no wonder their mothers are busy.

Among the birds I saw in the centre were herons, peregrine falcons and turkey vultures.

Members of the public who find an injured bird are welcome to contact the station at (320) 230-9920 for advice on what to do.

Is Healthcare Rationed in Europe?

Rationing is defined as the "controlled distribution of scarce goods and resources."

The issue of whether healthcare is something that might be rationed depends on whether it is "scarce."

If a community, a family or a state has unlimited resources to spend on healthcare, then there would clearly be no case for rationing of any kind.

On the other hand, if a family is the one paying for healthcare out of its own resources and these resources are limited, it may have to ration what it spends.

Likewise, if an insurance company is paying for its customers' healthcare and its premium income does not match all the demands it is getting, it too may have to ration what it covers.

And again, if a Government is paying for the healthcare of its citizens (as is the case in some European countries), and its tax revenues are limited, it too may have to ration what it spends.

My own sense is that "rationing" of some kind, by someone, is part of all healthcare systems in the world.

The debate on healthcare here in the United States at the moment is the most lively and engaging of its kind that I have observed since I came here. People are getting involved, and everybody, politicians included, is learning a great deal.

But, as in every lively debate, occasionally the commentary goes over the top. One such comment prompted a colleague in the British Embassy, Dominick Chilcott, to write an excellent letter to the Washington Times, which I will quote in full because it is so succinct.

"Your editorial ("The Brits' bad example", Opinion, Aug. 7) and other commentary ("Going British is bad for your health", Letters, Tuesday) paint a distorted and caricatured picture of Britain's health system.

It is not for a Brit to say what kind of health care system the United States should have. That's a matter rightly being debated by Americans across the country. And as they debate, your readers might like to know why the National Health Service remains so popular in Britain.

The NHS provides a high and rising standard of health care to all Britons, on an equal basis, at less than half the per-capita cost of the US system. Surveys have shown that the NHS is thought of as a good or excellent by the vast majority of those who use it. Two years ago, a US research group, the Commonwealth Fund, ranked British health care the best of six large countries studied, based on patient and physician surveys.

Medical treatment provided by our NHS is delivered on the basis of clinical need, not age. There is no ban on anyone of any age receiving any treatment. And it is untrue that bureaucrats make decisions on medical issues.

The question of whether to prescribe certain drugs or recommend surgery in each case is rightly a decision for doctors and medical professionals, decided on a case-by-case basis in discussion with the patient and his or her family, looking at all the available evidence.

British health outcomes are not to be sneezed at, either. Average life expectancy in Britain is 79.2 years (78 years for the US), according to the World Health Organization."

Of course, each of the 27 EU countries has a different healthcare system. Britain's is only one such system. Healthcare in the EU is a state responsibility, not an EU one. Some wealthier states can spend more than others, but it is interesting to note that one study recently showed that one of the less prosperous states in the EU achieved what the study's authors considered to be the best value for money for what it spent on healthcare.

McKinsey, the consultancy group, recently published an interesting study entitled "Why Americans spend more on health."

It said that, combining public and private spending, Americans spent on average \$6,800 per year per person on healthcare, about twice the average of other OECD (developed) countries. This adds up to \$2.1 trillion a year spent on healthcare, which is more than Americans spend on food.

The largest and fastest growing category of expenditure is outpatient care - \$436 billion – which is considerably

more than is spent on pharmaceuticals (\$98 billion), although pharmaceutical costs in the US are 50% higher than in other OECD [Organization for Economic Cooperation & Development] countries, according to McKinsey.

Who pays for this?

Increasingly, the health costs of American families are not being met directly out of their own family budgets, but either by their Government or by their insurance companies.

In 1960, 47% of health costs were met by families themselves. In 2006 that figure has fallen to 12%. In contrast, the Government met only 25% of American's health costs in 1960, but meets 50% today. In that sense, American healthcare has already become somewhat "socialized." In 1960, insurance met 21% of health costs as against 35% today, and insurance is another way of "socializing" or spreading health costs.

McKinsey notes that, whereas advances in technology have generally reduced costs in the rest of the economy, in healthcare in contrast, technology is often given as a reason for increased costs. The explanation for this may be the way healthcare is paid for. If treatments are paid for regardless of their cost on the basis of a cost/plus formula, new technology investments will not focus on cost reduction but on other things because there will be no incentive for them to do so.

Some argue that the fear of medical malpractice suits leads to over-treatment. McKinsey estimates that "defensive medicine," caused by fear of being sued, adds between \$150 and \$190 billion a year to overall US health costs – a significant sum.

Why is healthcare so controversial, and so expensive, in the United States?

The answer may be in the deeply-held values of Americans. The McKinsey study suggested that Americans, in considering healthcare issues, stand out in the emphasis they place on three values –

- extending lives to the maximum extent possible;
- equality of access for all;
- the patient making his/her own choices about the health care he/she receives.

The cost of living up to these three values is never going to be small, and as the population ages it will grow steadily.

As I travel around the United States, I am struck also by the level of employment that is already dependent on the healthcare system. In many cities, the hospital system is by far the biggest employer. One person's "health cost" thus becomes another person's job. So reducing, or even containing, healthcare costs will always be a big subject of controversy.

The Ups and Downs of the Construction Sector

The construction sector is always a good barometer of the economy. Its upswings are often exaggerated and so too are its downswings, which is a reason to be surprised that some banks exposed themselves so heavily to this one sector.

The EU has published statistics this week on construction output in Europe in the past year. In the first quarter of 2009, construction activity was almost 10% below the same period in 2008, but there are quite wide variations. The biggest declines were in Lithuania (-42.8%), Ireland (-35.3%), and Estonia (-31.3%). But there were increases in activity in some countries like Poland (+3.3%), Romania (+1.7%) and Malta (+1.6%).

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