Sustainable Competitiveness for the American Democracy

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1 Sustainable Competitiveness for the American Democracy

Much is being talked about the state of the US Democracy these days. The system is "broken", the country divided. Its global power – both in terms of raw power and technological leadership - is deteriorating fast, as is the global appal of the US. This decline has been in the making for some time; the complete lack of leadership over the past 4 years have accelerated the deterioration, and made it visible for the whole World to see.

Management consultants are trained to analyse system efficiency and spot the weaknesses in those systems to formulate improvements that increase efficiency. The following analysis is based on this approach. In addition, it is based on the US performance in the Global Sustainable Competitiveness Index (GSCI),

1.1 Current status

The current status of the American democracy described, in short:

- **Government dysfunction**: The political system is in a stale of disfunction. Other than urgent compromises to prevent complete shutdowns, compromises can hardly be reached. Important policy adjustments seem impossible to achieve - a clear sign of too little democracy
- **A raging opinion war:** The country seems is divided into two, with the two sides living in a completely different perception of reality, fuelled by conflicting and/or selective interpretation of events and click-baiting by profit-orientated news distributors
- **Innovation decline:** Apart from a handful of Silicon Valley companies, the US industry is outpaced by global competitors
- **Inequality:** Social inequality is increasing – from an already high level. Crime levels and substance abuse are on an unsustainable level
- Deteriorating environment

1.2 Key Recommendations

As management consultants, we are only interested in making system more efficient. Recommendations as how to address the above failures would include, in short:

- **Governance systems:** Curtail the power of individual functions and cutting historical red tape. In particular, the Speaker of the House and the Senate Majority Leader role should to be completely abandoned; it is not possible that two individuals decide over the agenda, topic and time of votes in Congress. In addition, the majority voting system should be replaced by a proportional system for congress mandates as well as state representations that would allow for smaller parties to take hold in parliament.

- Establishing simple, secure processes (e.g. e-voting based on blockchain) for elections, but also referenda on new or changed laws to increase accountability of politicians.
- **Bridging the divide:** A national news network, financed through taxes, but completely independent from political influence - focussing on reporting news and facts, excluding opinions, with regional offices and broadcasted in each state to counter the stream of misinformation
- **Restart innovation:** provision of high-quality education everywhere: redistributing education budget on the federal or state level per student to ensure equal quality of education everywhere. Introduction of an apprentice system after 9 mandatory school years with on-the-job training, enabling early work and guarantees a highly qualified work-force.
- **Facilitate equality:** Taxing financial income higher than employment income – most efficiently accomplished through a financial transaction tax. Decriminalise drugs. Introduce strict licensing and registration of all firearms
- **Saving the environment:** internalise all external costs through fiduciary neutral taxes (taxes redistributed to the people, e.g. as a climate tax)

1.3 Efficient Governance systems

The current congressional & democratic system unfortunately has a number of built-in failures:

- The Speaker of the House and the Senate Majority Leader enjoy way too much power by their power to set agenda and votes
- Bills are regularly overloaded with unrelated items – rendering it impossible to make decisions on smaller items
- The lack of clear processes to overcome differences between the two chambers of Congress is stalling decision -making, law-making, and important policy decisions
- Due to the winner-takes all district election system, voters have only very limited choice – between just two candidates, hoping they then will act in their interest. It is either black or white, with insufficient coverage of all the shades in between
- In combination with the lack of referenda, congress members are free of all accountability in between election cycles

1.4 Congressional Processes

The current congressional system was designed in 1788. The Swiss Parliamentary Systems was modelled in 1871 based on the US example – but with the benefit of nearly 100 years of hindsight. While the Swiss System is not perfect, some failures of the US system have been corrected – it might be worth looking at the defined processes of the Swiss Parliamentary System. Key efficiency improvements recommendations for the American Congressional System include:

- The agenda for both chambers are set by a bi-partisan committee before each session
- The role of the Speaker and the Senate Majority Leader are completely abolished. The only function of a Chamber' "President" is leading the parliamentary sessions.
- Congress members must have the opportunity to propose amendments and vote on individual items of a bill – no only a complete bill
- Resolutions voted on by one chamber automatically and mandatory have to be taken up by the other chamber
- Establishing a clearly defined process to overcome and compromise on potential differences between the two chambers within a reasonable time-frame
- The function of the President should be re-examined. Presidents are elected Kings – a left-over from the monarchical times (the US constitution was designed as an alternative to a monarchy). Today's World is so complex and challenging that it does not make sense to put and trust such an amount of responsibility to a single human being. A committee of decision-makers – e.g. the heads of key ministries – would guarantee better balanced decision making, less polarisation, and less incentive for power-hungry individuals. While this would constitute a large-scale change (in essence making the White House superfluent), it should definitely be looked at form an efficiency point of view. Kings are outdated, but so are Presidents. Ministers, in turn, would be elected by Congress, and allocated to the parties based on national voter share.

1.5 Election systems

Two observations are standing out:

- A significant part of people normally choosing the lesser of two evils rather than what they stand for due to the lack of alternatives. The 2-party system is based on the winner-takes all congressional majority election, essentially leaving voters but 2 choices.
- In 2021, people have to stand in line for hours, and sometimes traveling miles and miles before that in order to cast their vote. In the age of mobile connectivity, this is absurd (and highly inefficient).

To make these systems more efficient, key recommendations include:

- Introduce proportional voting system, at least for congress and state legislators to increases voter choice, diversity of representation. At the same time, a proportional vote allocation system would render the divisive practice of Gerrymandering useless and meaningless.
- Establishing a secure process for e-voting, potentially based on block-chain technology, to increase voter participation. Such a system could also facilitate increasing democratic participation through popular votes on referenda and major policy decisions, While Americans tends to be traditionally/culturally dismissive of all information the government holds on its citizens, from an efficiency point of view everything other than a national database of citizens

is absurd. A national database – as is common in many countries across the globe, including the most advanced democracies – also simplifies public interactions and can serve as ID for all instances, including for voting.

1.6 Bridging the perception divide

The American Democracy, a mirror of the media landscape, is currently characterised by

- Deep division
- Different opinions and different perception of events and facts
- Misinformation

The US media landscape is characterised by private, for-profit news/opinion providers and the absence of an established, not-for-profit tax-funded national services (such as the BBC in the UK, for example). For-profit news organisations depend on the size of their audience and number of users for income. News providers therefor have incentives to push exaggerated click-bait items to attract customers. In the time of infinite information availability, the most outlandish items stand out most, leading to the current situation where two different groups not only have different opinions on certain events, but are disputing the event itself. There seem to be two different realities.

A potential alternative to private-owned, profit-focused news provision are **state-financed, but completely independent national news providers** with the following characteristics:

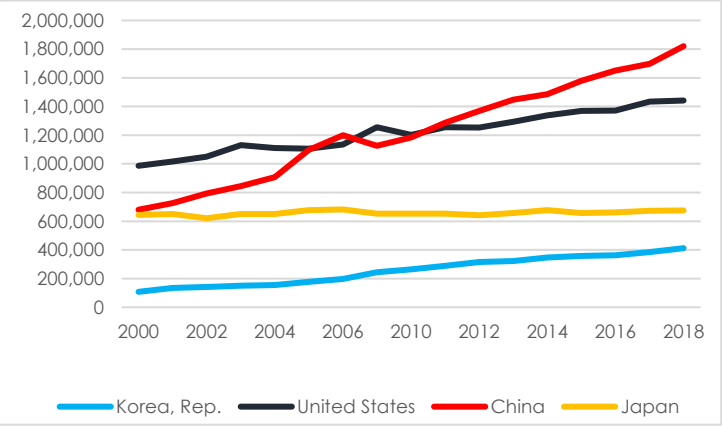
- Complete independence and freedom from political interference
- Focussing on science and facts, excluding opinion shows
- Inclusion of entertainment/sports programs to attract a wider audience
- Adequate financial resources to produce high-quality content to attract all shades of society
- Regional offices and programs in all states to reach all groups of society, including minority groups, through different channels – radio, TV, on-line

In an ideal World, an independent national news service would be the source of information of choice for a majority of the population – or even better, a source of national pride.

1.7 Restarting innovation

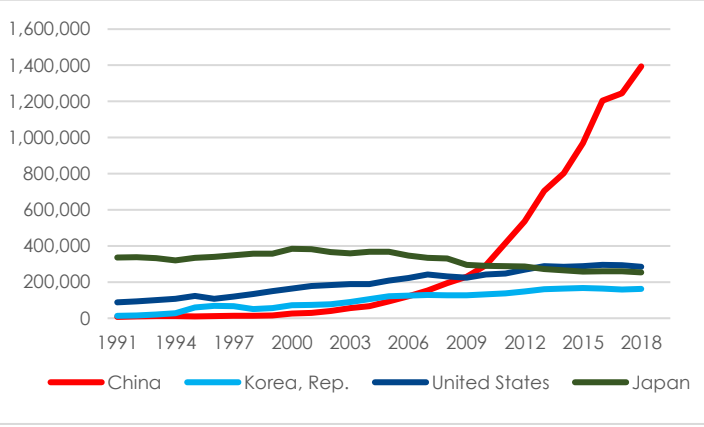
Quality education for all is the single most important issue to increase and maintain competitiveness in the globalise markets. The US has been leading the World in technology after WW2. Since the 1980s the US leadership has been eroded, both because of internal neglect and the catching up of other nations, underlined by statistics. The presence of some outstanding universities and leading tech companies covers the overall state of affairs: The US is losing out to competing tech-nations, in particular in Asia and Northern Europe in terms of R&D spending, number of graduates in engineering, people employed in R&D, and most importantly, in the number of patent applications.

Number of professional R&D personnel



Since 2010, China has more people engaged in R&D activities than the US, while other Asian nations have a far higher numbers as percentage of the total population (Japan, Korea, Taiwan, but also Western & Northern European nations). Source: WIPO

Number of patent applications



Decades of investment in education resulted in China leaving the rest of the World behind, while other nations show similar number of patent applications despite much smaller populations. Source: WIPO

In short: the US is falling behind, and is on course to fall even further behind. There are a number of characteristics that have accelerated these developments, like local funding for education, expensive for-profit higher education, and the lack of a national education & innovation strategy. Starting points for improvements include:

- **Collect & allocate resources at the state or federal level:** Education in the US is financed through property taxes raised in the community, meaning rich communities have a high education budget, and poor communities have limited educational resources. The simplest way to address this inequality is to distribute the educational resources on the state or federal level, guaranteeing that the same financial resources are available to every child in the sate/the USA.
- **On-the-job vocal training as alternative to high school:** instead of going to school only, young adolescents can learn a trade on the job in a formalise setting combined with job-related school-room teaching– leading to higher qualified work-force and more opportunities to earn a living after school

- **Making higher education more affordable:** Given the importance of education for future competitiveness, education should be allocated more resources, including making higher education affordable to all
- **Recognise the importance of teachers:** Teachers should be recognised and rewarded according the importance of their jobs – securing the quality of the future work-force.
- **Ban faith from schools:** Faith is a choice. Science is not, Faith has to be banned from all curriculums. Curriculums have to be based on science, and nothing else.

1.8 Improving equality

The US is currently characterised by a distinctive lack of equal opportunities:

- High income and wealth inequality. The statistical chance of staying poor when born poor, and being rich when born rich are way too high. A large pool of potentially talented workforce is under-achieving. From a national perspective, this means that significant potential remains untapped to improve overall national competitiveness
- The rich have become even richer during the pandemic without working – all thanks to paper gains on the stock markets.
- The wealth-gap spreads into all areas – education, health, opportunities
- High crime rates. Unequal opportunities translate into diminished perspectives for those borne in underprivileged areas, where the way out of poverty seems to be limited to crime, pro-sports, or a scholarship for a few lucky ones

The lack of equal opportunities needs to be addressed through a variety of measurements and policies:

- Taxing all income – including financial income – equally and preferably progressively (tax rate increases with increasing income/wealth).
- A tax on financial transactions would not only discourage trading with short-term financial gains in mind, but also free financial resources for investments in the real economy instead of the financial economy
- Re-organise the distribution of educational budgets based on the number of students (see also the previous chapter)
- Re-organising health care: cover of basic health insurance through a tax on income (as percentage of income), leaving the choice of additional private insurance for luxury health care
- Legalize all drugs: treat drug addiction as what it is – a sickness, with regular information in school-rooms warning of the dangers of drugs, preferably several times a year with the help of former addicts. Legalizing drugs will also immediately drain criminal gangs and groups of their income, and reduce their appeal for young people living in under-privileged areas
- We are living in time of crises – justifying a time-limited wealth tax on the rich to finance parts of the societal re-organisation

1.9 Integrating external costs to save the environment and the economy

Climate change – and most environmental degradation issues, including pollution – is, in essence, a gigantic market failure. The price we pay for fossil fuel does not cover its cost, because the cost incurs at a later stage. Nevertheless, the cost is associated to the product. In order to solve the problem, later occurring costs need to be included in the price.

Climate change is a global problem, Climate change cannot be solved by a single nation; it requires global action.

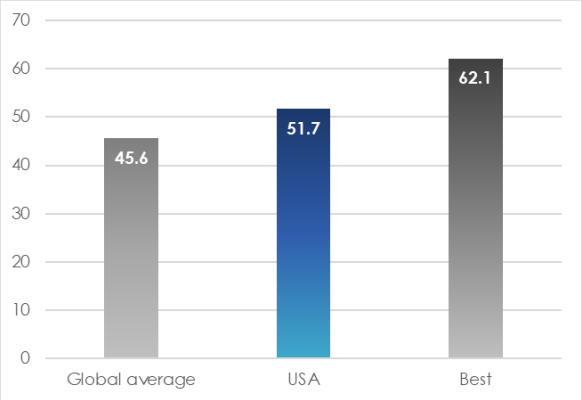
The simplest solution is a climate tax – equally applied everywhere globally, on GHG-emitting products, collected and redistributed nationally. Such a tax would increase the cost of certain goods and products - it is therefore vital to redistribute the tax revenues to the people (and not use it for other state expenditure). In normal times, the tax revenues would be redistributed 100%. However, these are not normal times. It is therefore suggested that only 50% of tax revenues are redistributed (to the lower income groups), and finance a renewable energy infrastructure with the other 50% of climate tax revenues:

1. All GHG gases & substances are taxed
2. The tax is levied globally, at the same rate per ton of CO_2 equivalent
3. The tax is gradually introduced, starting at 50 U$ per tCO2eq, increasing U$ 50 every year, to allow the economy to adjust, to a minimum of U$ 500/tCO_2e in 2030 and U$ 1000/tCO_2e by 2035 (10 & 15 years after implementation)
4. The tax is levied & redistributed at country level, at the point of emissions (end-consumer, similar to VAT)
5. ALL tax revenues are redistributed, completely fiscal neutral
    a. 50% cash-back, re-distributed regressively (low-income brackets receive higher cash-back) to balance the temporarily increasing energy bill
    b. 40% for building renewable energy infrastructure (excluding nuclear, bio-fuels and carbon capture technologies)
    c. 10% for R&D and mitigation
6. Agriculture contributes 15-25% of global GHG emissions. Meat and dairy products therefore need to be taxed according to their associated CO_2e emissions
7. Countries that do not participate in a global climate tax scheme are taxed a flat import tariff of at least 30% on all imports. These tariffs will be redistributed to the population as cash-back

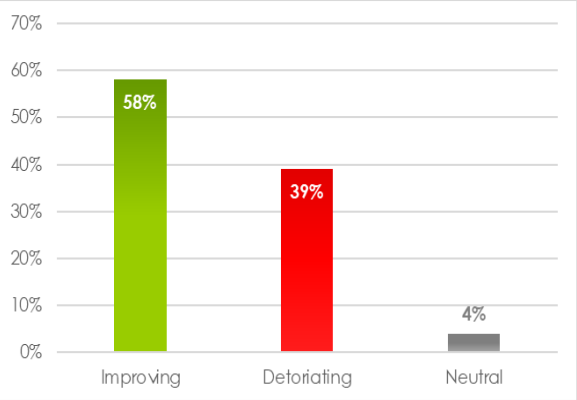
Despite its waning influence and appeal, the US is still the largest economy. US leadership still has global impacts. While Climate change is not US issue, US leadership in pushing for a climate tax could make all the difference this planet needs.

2 USA Sustainable Competitiveness 2020

These results reflect the US performance in the Global Sustainable Competitiveness Index. The US is currently ranked 32nd out of 180 nations in the Global Sustainable Competitiveness Index (GSCI), scoring 51.7 of a possible 100, and 83% of the best score (Sweden). The full US Sustainable Competitiveness Report is available here.



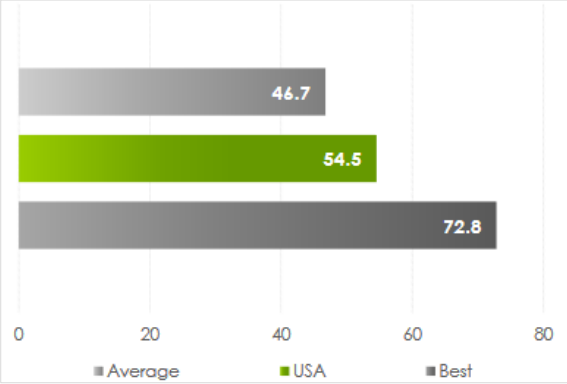
The US is ranked 32 globally with a score of 51.7 of a possible 100, Source: GSCI

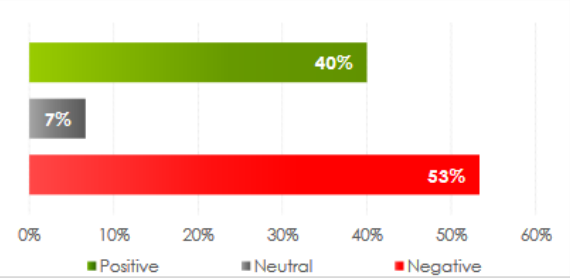


The US is ranked 32 globally with a score of 51.7 of a possible 100, Source: GSCI

On a positive note, 58% of indicators show positive developments over the past 10 years. However, 39% of trends are deteriorating.

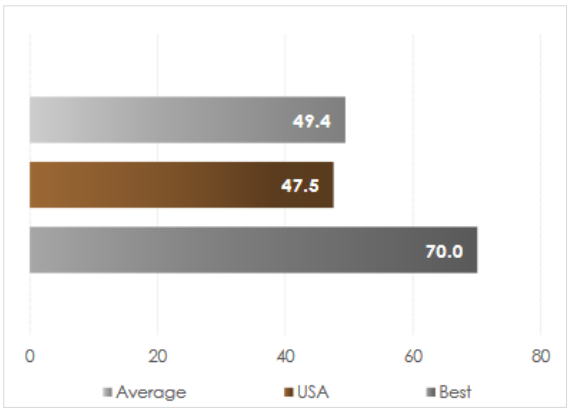
2.1 Natural Capital:

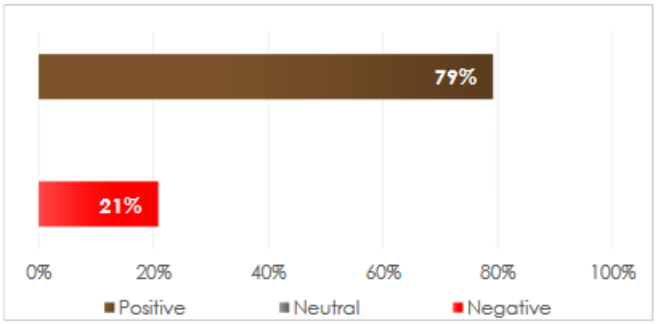




The US is ranked 53 with a score of 54.5 – thanks to the waste land area with a diverse biodiversity abundant natural resources as a nation (however, the picture is more complicated when looking at individual regions or states; many of which are facing water shortages as of now). However, 53% of all indicators show negative developments, i.e. the state of natural capital is declining.

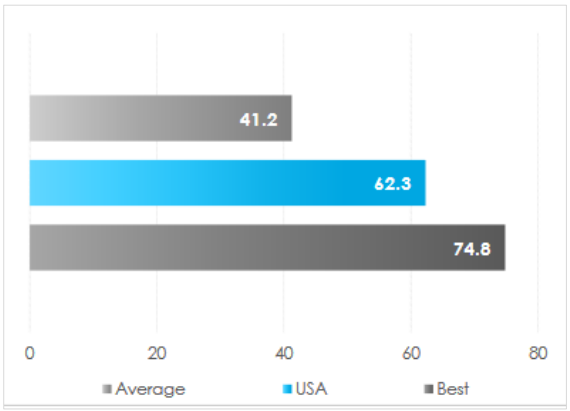
2.2 Resource Intensity

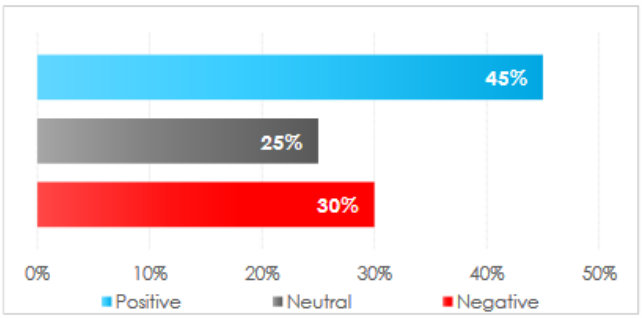




The US is ranked 117 with a score of 47.5 (below the global average) in resource intensity – not surprisingly given the average American use of energy and other resources. However, a large majority 79%) of indicators show improving trends.

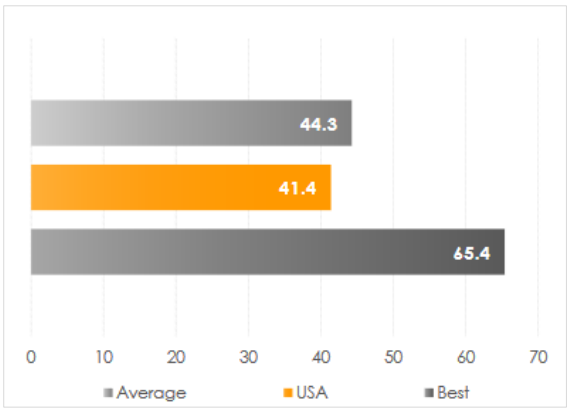
2.3 Intellectual Capital

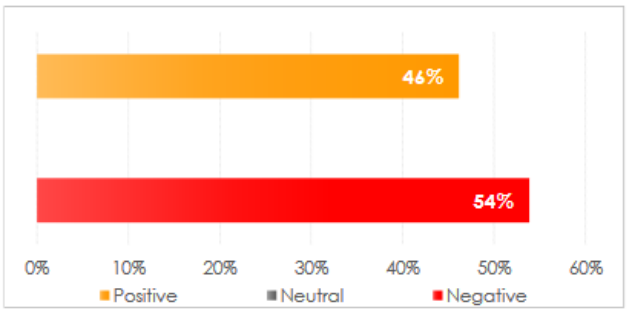




The US is ranked 11 globally with a score of 62.3 (83% of the global best score). However, given educational policies and the further privatisation of education and the fact that important factors show decking trends is a worrying sign for future technological competitiveness across all spectres of science.

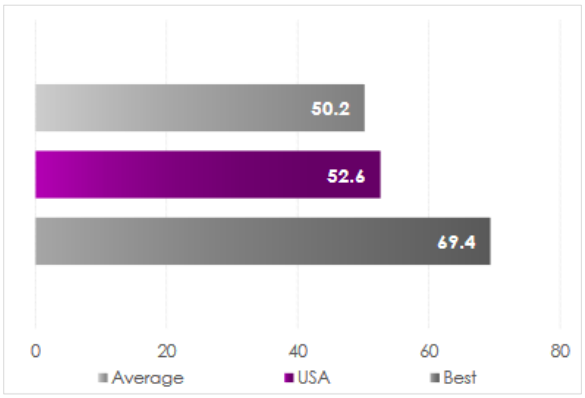
2.4 Social Capital

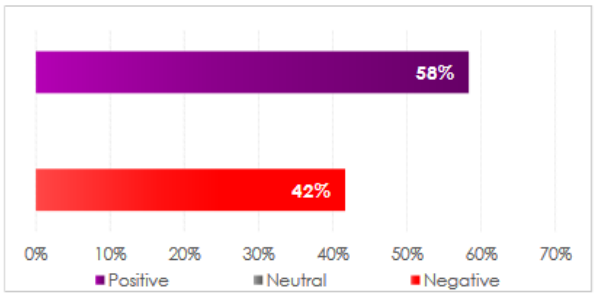




The US is ranked 109 with a score of 41.4 (only 60% of the global best). In addition, 54% of indicators show a deteriorating trend, underscoring the fading of the social fabric and stability that a thriving economy needs to function properly.

2.5 Governance Efficiency





The US is ranked 73 globally with a score of 52.6; 58% of trends are improving, but 42% - a too high percentage – of indicators are developing in the wrong direction

About SolAbility

SolAbility is Swiss-Korean sustainable intelligence think-tank founded in 2005 with a highly successful history in ESG research provision and sustainable management implementation consultancy. SolAbility clients have been recognised as global sustainability leaders in their respective industry sectors.

For further information, please visit our website or contact us: contact@solability.com

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About the Global Sustainable Competitiveness Index

The Index is developed, calculated and published by SolAbility. In order to guarantee objectiveness, the index is based only on measurable quantitative indicators.