

Health Care Expert Declared That 1/3 Of US Medical Costs Are Due To Waste – Remark Elicited No Debate – Yet, If We Do Not Reduce Costs, Health Care Will Bankrupt America

[the-subtitle]

By Paolo von Schirach

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June 30, 2012

WASHINGTON – I was watching one of many TV talk show discussions on the US Supreme Court decision that declared the Affordable Care Act (Obamacare) constitutional. (Link to related story above). While the issue was of course about the future of the measures included in the legislation, now that there are now doubts about their legality, at some point a leading health care expert commented that the real issue about US health care is the staggering cost, **1/3 of which is due to waste**. At 18% of GDP the price tag of American medical care is at least 30% higher than the average of what other rich countries spend.

1/3 of US health care cost due to waste

The expert, editor of a respected non partisan and non political journal, stated that much of this cost is due to wasted money. ***She said that about 1/3 of the total bill is due to procedures and prescriptions ordered by health care professionals that are in fact useless.*** Now, coming from a recognized expert, this is really important. Think about it. While the Obama legislation addressed mostly the extension of health insurance coverage, so that many more millions would enter the system, the real issue is runaway cost, increasing year after year at a rate that far exceeds inflation.

And now we are told that much of this cost is due to useless procedures. Money out the window. Indeed, we have an expert saying on national TV that, by the way, at least 1/3 of what we spend is wasted on stuff that serves no real medical purpose. Now, that's about 6% of US GDP. This is more than the entire US defense budget; hardly a detail or rounding error.

This should change the focus of the debate

Well, you would have thought that such a powerful indictment indicating that there is something profoundly rotten in a system that allows (or promotes?) this level of waste would have invited some more scrutiny in a conversation devoted to health care. Quite clearly, if we could stop this waste, we would deal with a much smaller volume of activity and a smaller bill. This would greatly reduce the size of the problem.

But no, the TV talk show hostess did not even blink. Amazingly, the bomb shell-like observation made by the revered expert did not even register. After all, her remark was off the subject. The show's topic was about the consequences of the now established constitutionality of Obamacare, not about reducing health care costs.

We keep talking about the wrong issue

Never mind that taking notice of this staggering level of waste in overall spending should have reshaped the conversation entirely. This did not even cross the hostess' mind. And so, even though reputable experts tell us that the real US health care problem is absurdly inflated costs, we keep debating how to pay for them as if they were all legitimate. Wrong focus, wrong debate, useless outcomes.

Italian Labor Minister Elsa Fornero Declared To The WSJ That “Italy Is Not A Rule-Bound Place” – Think Of That: No Rule Of Law, Says A Sitting Minister

[the-subtitle]

By Paolo von Schirach

June 29, 2012

WASHINGTON – It is amazing how strong statements with really significant implications can be ignored, meaning that their implications are not even discussed. The Wall Street Journal had a piece on the reform of Italy's labor law that just passed. (*Italy's Official Seeks Culture Shift in New Law*, June 27, 2012). The article quoted Elsa Fornero, Italy's Minister of Labor, saying that: ***“People's attitudes have to change. Work isn't a right, it has to be earned, including through***

sacrifice".

Work is not a right

Now, this statement is not terribly shocking for a US reader. But for an Italian Minister to actually say this is truly revolutionary. Italy is permeated by an entitlement culture. Getting something without having done anything at all to earn it –and this would include a job– is considered normal for most. Since this attitude is normal, it used to be impossible to criticize it. The fact that a sitting Italian Minister of Labor, not a commentator, would essentially scold the Italians, telling them that "work is not a right" is unprecedented.

Not appropriate even in the US

Look, even here in the US it would be difficult to imagine an incumbent Secretary of Labor declaring that "work is not a right". While a true statement, it would be politically damaging for the Secretary and for the administration. And this is because even in the US it is assumed that the Secretary of Labor is there to protect workers' rights and welfare. While there is no constitutional right to get or keep a job in America, saying just that in public would be considered at least inappropriate.

No rule of law in Italy

Back to Italy, the really juicy part in the WSJ piece comes when Minister of Labor Fornero declared that "***Italy is not a rule-bound place. It's a land where people rig the system, tweak here and there, and engage in tailor-made adjustments. That's got to stop***".

Got that? In one short sentence, a Minister of the Republic declared to the WSJ that Italy is not a law abiding country. Enterprising people do as they please, apparently with impunity, (and this would include labor relations in which

labor unions always held the advantage). This has got to stop, she said. But it is clearly going on and she did not say that the Government has the tools to make it stop.

Just like a Banana Republic

Now, without exaggeration, the way the Minister talked about Italy is the way in which an unsympathetic analyst would describe a lawless Banana Republic or any other sorry developing country in which people make their own rules because of the absence of rule of law, weak institutions and a lot of corruption.

Minister is not a politician

Well, it is not an accident that Minister Fornero is a technocrat who will be in this job for a limited time, and not a career politician trying to please special interests in order to get votes. But even taking that into account, this is a shokingly powerful indictment coming from straight from the Government.

Well, to all those who would like to believe that Italy is essentially a modern country now experiencing temporary fiscal and economic problems, think again. As the Minister said: *“Not a rule-bound place”*.

Obamacare Is Constitutional, But US Health Care Still An Out Of Control Mess – To Cut

Astronomic Costs: Shift From Cure To Prevention And Wellness Education – Healthy People Do Not Need Doctors

[the-subtitle]

By Paolo von Schirach

June 28, 2012

WASHINGTON – The judicial saga concerning health care reform is over. According to the Supreme Court of the United States, the Affordable Care Act, the law universally known as “Obamacare”, is constitutional. Political victory for president Obama; but not necessarily a defeat for the Republicans and for Mitt Romney, the GOP challenger. The judicial upholding of the law gives him another major issue to run against. The law is still divisive and very unpopular among millions of conservatives.

A medical insurance reform

That said, with or without Obamacare, America’s health care is still in a deep crisis caused by totally out of control costs, not even remotely comparable to the expenditures of other rich countries. Obama’s reform is essentially a medical insurance reform. Its goal, laudable in many respects, was and is to get millions of uninsured Americans covered. But the law does almost nothing to contain costs that are already astronomic, as they grow each year at a much rate than inflation.

US health care: totally out of control costs

Indeed, the US health care system, if looked at in its entirety, is a grotesque abomination. The US spends now 18% of

GDP on medical care, and yet it is only number 50 in the world in terms of life expectancy, (78.49). Poor Portugal is one notch ahead of us, while a bit further down but close to America we can find such economic superpowers as Cyprus (N. 55), Cuba (N. 59) and Libya, (N. 60). So, with all our trillions spent on health, we are doing just a little better than some developing countries.

While it is true that in other developed countries medical care is either nationalized or heavily regulated, while in the US most people have plenty of choices, their basic health statistics do not reflect poor services. People live longer. So, we cannot even argue that Americans spend a lot more but in return they get superior service and superior outcomes.

The culprits: fee for service and bad life style

US out of control costs are due to two factors combined in an almost perverse way. The first one is that the medical profession works on a "fee for service" basis. Which means that any doctor has every personal financial incentive to do more rather than less. Since medicine is not yet an exact science with clearly prescribed tests and therapies, it is extremely easy to overdo anything: diagnostic tests, procedures, surgeries, drug prescriptions, you name it. And this extra zeal is not checked by anybody. Most patients are insured and so they have little or no incentive to challenge the doctor who tells them they need this or that procedure.

This is no small matter. Multiply the cost of unnecessary and pricey procedures a few million times and you have a cost explosion.

The second factor is the rapid deterioration of basic health conditions for millions of Americans. Americans have adopted a very bad diet that has led to the massive increase of obesity and all the maladies that follow it, such as cardiovascular diseases and diabetes. A bad diet embraced by the majority of

the population combined with an increasing sedentary life has undermined the basic health of tens of millions of Americans.

Sick people are good business

Paradoxically an unhealthy population is great business for the medical profession that can simply make more money curing and often overtreating sick people. Again, given the financial incentives that reward treatment, doctors have no incentive to invest any time teaching patients how to practice a healthier life style. Regarding growing costs, remember that most patients do not pay the bill. It is picked up by their insurance.

Remedy: reward doctors for keeping people healthy

How do we break this crazy spiral? Well, this would require a major but not unthinkable revolution. It is all about redefining the function of the medical care system. In the future doctors should be paid not on the basis of how many treatments they provided to the sick but for successfully keeping people healthy through good prevention and education programs. Such education programs should include solid guidance about nutrition and exercise.

Healthy people do not need so much care. Huge savings

I fully realize that this would require an immense turnaround. But such a reform would follow simple common sense. If people knew how to eat properly and how to stay fit, they would also enjoy better health. If doctors had an incentive to keep people healthy, down the line there would be fewer costly procedures. Look: it is rather simple. If you are healthy, you do not spend money on health care. Whether you pay out of pocket or your insurance pays, there are savings. Multiplied by millions of Americans, these become billions.

And let's be clear, this is not about saving money by denying care. This is saving money by making care unnecessary. That

said, most certainly, even with the best “wellness” prevention programs, there will be illness and people injured in car accidents and what not. But there will be less. The needs will be much lower and therefore they will cost much less.

Prevention is cheaper than care. Healthy people will have a higher quality of life

And it is quite obvious that a healthier population would yield multiple gains across the board. Healthy people enjoy a higher quality of life. Healthy people are not a burden to others. They are more creative and more productive. Hence economic gains for the individual, for employers and for society.

You tell me, what is better: to spend mountains of money as we are doing under the present system (with or without Obamacare) to treat disease after it is full blown, or to spend far less to keep people healthy, so that they can feel well, while keeping disease and all the associated treatment costs away?

China Is Slowing Down, But How Fast? – No Way Of Knowing Because Statistics Are Notoriously Unreliable – Analysts Developed Their Own

Metrics

[the-subtitle]

By Paolo von Schirach

June 23, 2012

WASHINGTON – We know that China is experiencing an economic slowdown. Everything being relative, their “slow down” to a still stupendous 7.5% rate of growth, or so, (official forecast) would be the envy of most countries. In contrast, poor USA is limping along at 2%. Some battered European countries are in recession, others are growing at a mere 1%).

How significant is China’s slow down?

But the very idea that mighty China may be trending down causes all sorts of concerns. China is the main client for commodity producers around the world. For years, the Chinese have been buying copper, coal, iron ore, soy beans, oil in gigantic quantities. The economies of Chile, Brazil and Australia, to name a few, move in large part in sync with demand from China.

Given these deep interdependencies, what if China’s troubles are deeper than we think? What if China is really slowing down to a more normal 5% rate of growth a year, something that would be in line with the performance of many other developing countries? Such a change could have significant repercussions, ranging from political stability within China, to economic growth in many countries that have become its key suppliers.

Cooking the books is an art form

That said, while economic forecasting is a difficult business anywhere, the added complication in China is that the statistics, as a high ranking Chinese official nicely put it (off the record) a while ago “*are man made*”. That was a polite

way to say that they “*cook the books*“. The numbers are creatively rearranged to fit a previously scripted narrative.

Separate sets of books

The International Herald Tribune in a recent story explains very well how this is done: *“Indeed, officials in some cities and provinces are also overstating economic output, corporate revenue, corporate profits and tax receipts, the corporate executives and economists [interviewed] said. The officials do so by urging businesses to keep separate sets of books, showing improving business results and tax payments that do not exist”*.

The IHT goes on to say that the creative book keeping and consequently the false statistics extracted from them may inflate key economic indicators such as GDP growth by 1 or even 2 %. If this were true, that’s really a lot. Going back to the official growth target of 7.5%, what if China’s real growth rate were instead 5.5%?

Unofficial metrics: coal consumption

That said, how do analysts try and glean the truth? Very difficult indeed. One metric considered by most practitioners as the most reliable is coal consumption. Most of China runs on coal. Coal is used for 85% of electrical power generation. China’s industries are huge customers. When coal piles up in key storage areas, this is a tell tale indicator of industrial slowdown. The bigger the coal mountains, and the longer they stay, the worse the news.

But how is it possible to make accurate predictions on China’s growth just by making extrapolations on the basis of the height of coal mountains in storage places? Besides, the electric utilities apparently do what everybody else is doing: they cloud the picture by declaring false numbers regarding coal used and amount of power generated and consumed.

We still do not know for sure

Bottom line, while we have some sense that China is slowing down, we have no way of determining if this is minor or possibly major. We have no way of knowing if structural issues are involved or only temporary contingencies, such as the recession in some European countries that shrunk demand and thus imports from China.

In a year of political changes, expect good news from officials

In all this uncertainty, we can be sure of one thing. This year China will undergo a major political transition. So, this would hardly be the time for statisticians to broadcast bad news. Count instead on officials doing their best to make the economic numbers look reassuringly good. The growing mountains of coal, of course, would tell a different story. But we do not know –nor do we have a way to know for sure– how bad a story.

The Forced Adoption Of Renewable Energy Has Been A Costly Mistake – We Should Subsidize Research And Not The Usage Of Current

Technologies

[the-subtitle]

By Paolo von Schirach

June 19, 2012

WASHINGTON – Large investments in subsidized renewable energy for the most part make no economic sense. And yet, they seemed to make a lot of sense only a few years ago. In 2008 oil was at a staggering \$ 140 plus a barrel, thus prohibitively expensive. Al Gore had won the Nobel Prize and an Oscar for his warnings on man made climate change. The world seemed to be (mostly) of one mind. Human kind needed to stop, immediately, burning (super expensive and super dangerous) fossil fuels, while it was incumbent on all governments to push for the rapid adoption of renewable energy technologies.

Renewable energy was adopted

And so we did. May be the adoption of renewables was not as massive as some would have liked. But major steps were taken. Governments passed laws that forced utilities to purchase electricity made from renewable sources, even though the price was way higher than power produced from conventional sources. The conventional wisdom was that these fledgling industries needed to be nurtured. And in any event, the main goal was not to create viable businesses; but to save the planet from certain man made destruction.

Besides, the argument went, we were soon going to run out of most fossil fuels. Therefore there was also a longer term, but equally certain economic survival imperative.

The case for renewables faded

Well, fast forward to today and we are in entirely different world. The global warming “science”, whereby rising

temperatures will destroy the planet, while the phenomenon is totally man made, for some reasons appears to be less cogent. Furthermore, additional studies indicate that, even if the main argument were true, heroic and immensely costly efforts aimed at reducing the consumption of carbon based fuels would have only negligible effects on the temperature of the earth surface.

On top of that, the United States is experiencing now a natural gas boom that reduced the price of gas to levels not seen in more than a decade. In this entirely new context, it is hard to justify the forced purchase of more expensive renewable energy.

Europe paid a huge price

The record shows that in Europe, where these policies of subsidizing renewable energy have gone on much longer and a much larger scale, the economic price paid for this fixation has been very steep. Investing in non competitive renewable energy is expensive. Capital has been sunk in costly enterprises that can come to life and survive only because of mandates. For instance, it is estimated that a major new system of off shore wind farms in the UK would cost about 140 billion pounds. The same energy could be produced via conventional means at 5% of the cost. Consider that.

Huge cost, no benefit

In the end, because of these mandates, consumers and the broader economy have to pay a higher price for electricity. All this translates into a substantial waste of capital that could be used more productively. For example, Germany, a rainy country, made huge investments in solar energy, an effort described by a utility executive to be as cost effective as establishing large scale pineapple farming in Alaska.

There you have it: waste of capital and overpriced energy that imposes an extra burden on the economy. And all this has been

done in the name of an ideological fixation about the blessings of renewable energy that has become for some the equivalent of a religion.

We should side step economic concerns only if we had compelling evidence

Look, if we had indeed definitive and conclusive proof that a) global warming is both man made and catastrophic; and b) that stopping now to burn oil, coal and gas would quickly reverse it, then we could argue that this is not about economic choices but about planetary survival. But we are not there, it seems. The environmentalists' zeal has been deflated. The science is not as compelling as it seemed to be.

The US natural gas revolution changed everything

In the meantime, at least here in the US, just in the last few years we realized that we have a true energy game changer: immense amounts of cheap natural gas that, among other things, has much lower emissions than coal. This means that we have a really inexpensive and much more benign fossil fuel for electricity generation and down the line also for transportation. (Much lower emissions than oil derived gasoline). Put all this together and you realize that renewable energy, at least as mainstream policy, is politically and economically dead. For sure there are and there will be niche markets in which renewable energy can be and is cost effective. But not everywhere, as we used to think.

Continue funding research

This of course does not mean that we stop researching new forms of energy. On the contrary, we should keep going, at full speed. At some point new technologies will be developed that will be truly cost effective. (And, yes, at some point we shall run out of fossil fuels). Who knows what scientists may come up with in the next 10 years.

But there is a huge distinction between subsidizing open ended energy research and subsidizing the adoption of current technologies that are still not economically viable. And this is what we have been doing.

Whoever Wins The Elections In Greece, The Country Is Bankrupt – No Government Can Pay The Debts, Cut Spending And Grow This Weak Economy – Exit From The Euro May Be Inevitable

[the-subtitle]

By Paolo von Schirach

June 14, 2012

WASHINGTON – All the major US business channels, Bloomberg, CNBC and Fox are riveted on the upcoming Greek elections, giving American viewers the misleading impression that the outcome really matters and that the winner will determine somehow the future course not just of Greece, but of the entire monetary union based on the Euro.

Better if the conservatives win

Well, who wins matters a little bit. If the conservatives of

New Democracy, led by Antonis Samaras, would come ahead, with a convincing lead, then we could expect more civilized and may be even constructive exchanges between Athens and its EU partners.

If the left wing Syriza party wins, then it is burlesque. Syriza would have the Greeks believe that –yes, my friends– there is a free lunch. In fact, an unlimited number of free meals. Greece, may be broke, but somehow it will continue its beloved spending habits, without paying its bills. No problem.

Conspiratorial theories

Overall, even a cursory look at Greek politics reveals that they are just as unbalanced as its public accounts. The Greeks –left and right– have yet to come to terms with the simple fact that their country lived way beyond its rather modest means for decades. All political parties indulge in conspiratorial theories whereby “*someone did this to us*”. Unless this state of mind changes –which is to say that people grow up and get serious– expect little progress.

In the end, whoever will come ahead in the new national elections most likely will not have enough votes to have a majority. So, it will have to be some kind of unstable coalition government. And, since the Greeks have yet to find religion, any new Prime Minister will have enormous difficulties in implementing austerity while trying to restart a terminally weak economy.

Awful economic data

Just a little data to put all this in perspective. Spain and Italy look with horror at the yield on their 10 year bonds approaching 7%. Well, Greek 10 year bonds will pay you 28%. How do you like that; some spread. (Germany’s 10 year, in case you are interested, is well under 2%). The unemployment rate in Greece is 22%. Europe is forecasting a Greek economic contraction of 4.7% this year. Try to run this “cradle of

democracy”.

Whoever wins, no way to fix this mess

Whoever wins on Sunday, Greece will still be crushed under a mountain of debt, while its economy will still be non competitive and its citizens mostly in denial. The notion that this perennially challenged country may find the discipline to stay in the Euro, cut spending, pare down its bloated public sector, pay its debts and grow the economy looks totally fanciful.

Italian Prime Minister Monti Cannot Do Magic – Bond Yields Are Up Again, The Economy Is In Recession, And Unpopular Reforms Are Stuck

[the-subtitle]

By Paolo von Schirach

June 14, 2012

WASHINGTON – The Wall Street Journal seems to be somewhat surprised that Prime Minister Mario Monti has hit a political sandbar and is now stuck, (*Italy's Reform Stall*, June 14, 2012). Its editorial laments the fact that Monti is raising taxes too much while he is unable to reform the “*Statuto dei Lavoratori*”, the “Workers Charter”, one of the most insane pieces of labor legislation in the modern world.

Protecting workers right

In case you do not know this, in Italy it is practically impossible to fire anybody, given the armor plated protection given to employees by this law. And you can figure out that an extremely rigid labor market is bad for business. Labor flexibility would provide incentives to new enterprise. In fairness to Monti, he tried, as he tried other things. But Italy, while not crazy as Greece, is a close relative. Serious reforms run against ultra established special interests that will never give up.

Uninspiring fiscal and economic picture

In Italy the short term fiscal picture is not so bad. But the rebalancing of public accounts came at a huge price. Tax rates are confiscatory. And a new increase in the VAT tax is in the works.

Meanwhile, looking at the long term fiscal picture, with public debt still at 120% of GDP, investors are penalizing Italy. Bond yields are up. The 10 year is once again above 6%. And the economy is in recession, while youth unemployment is now at a stunning 36%. The young Italians who have a chance emigrate to Brazil, or wherever there seem to be prospects.

Monti is a well meaning technocrat. But the notion that he had some kind of magic formula to fix public spending and the economy, all by himself and painlessly, was and is ludicrous. Today, as the Italians realized that most disappointingly he cannot do magic, his favorable rating in opinion polls plummeted to 34%.

Lessons for America

As I said, Italy is not Greece; but we are getting there. As for America, it would be nice if someone started reflecting. This is what out of control public spending, generous entitlements and slow growth gets you: national decline. This

is still America, mind you. But, as we postpone critical debates on fiscal and tax reform, while not promoting pro-growth policies, America is becoming more and more like Europe.

Obama Proposes Hiring More Civil Servants To Lower Unemployment – At A “Jobs Event” Governors And Mayors Talked About Attracting The Private Sector – Not Even One Word About Obama’s Plan

[the-subtitle]

By Paolo von Schirach

June 13, 2012

WASHINGTON – Watching a major June 13 event on jobs creation sponsored in Washington, DC by the US Chamber of Commerce, one thing was clear: not even one of the Governors, Mayors and County Executives who spoke said one word about the need to hire more civil servants as a way to solve or alleviate their employment issues. Not even one. And yet, if you listen to President Obama, hiring more teachers, policemen and firefighters –with funding from Washington coming from more borrowing, as there is no cash left– is the best strategy to

put people to work and jump start the US economy.

Not one word about Obama's plan

So, here we have an interesting discrepancy. The President has this great economic growth therapy based on more public spending (which means higher debt) to hire more public servants. The states and municipalities, that is the recipients of all this Washington largess, do not even mention any of this at an event in which they showcase their indigenous ability to attract business as the best way to create employment.

Governors' message: we want the private sector

In fact, these Governors (Utah, Nebraska, Delaware and Wisconsin), plus the Mayor of Denver and the Allegheny County (Pittsburgh) Executive, talked exclusively about their relentless efforts to improve their respective business environments, so that they will be able to attract more private sector investments.

Their message was forceful and clear. They want your business, anybody's business: domestic and foreign investors, all welcome. And they made their case as to why they deserve these investments. They discussed at length their states' tax system, their modernized infrastructure, their universities, their schools, their public amenities, their deregulation policies.

But not one word was uttered about being hampered in their investment promotion efforts by an inadequate number of civil servants. Not even one word. In fact, one of the speakers, Dave Heineman, the Governor of Nebraska, proudly stated how the massive adoption of IT systems allowed him to do away with hundreds of state employees, without undermining services.

Campaign rhetoric does not address real needs

So, the hard evidence shows how presidential campaign rhetoric may sound nice; but it is irrelevant. The "solutions" proposed by Obama trying to get re-elected are not what the people directly affected are looking for. What Obama would like to offer are a few subsidized jobs. But these elected officials (Republicans and Democrats) know that its is the private sector that brings real prosperity.

Spanish Banks Get \$ 125 Billion EU Bailout – But Investors Bet Against Spanish Debt – Yield On 10 Year Spanish Bonds Reach Historic High

[the-subtitle]

By Paolo von Schirach

June 12, 2012

WASHINGTON – Spain finally agreed to get a hefty \$ 125 million EU bail out package for its tottering banks. This amount is more than double what the IMF estimated to be necessary to fix the problem. This generous cash infusion should have reassured markets. The message Europe wanted to convey is that Spain now definitely out of danger.

The markets do not believe it

Well not so. The markets did not buy the good news. The yield on Spanish 10 year bonds jumped to 6.68%, a historic high. But how is that possible? It makes no sense. Spain now is supposedly out of trouble –and the bond markets demand higher interests? (By comparison, the yield on the French 10 year bond is less than 3%).

The Spanish economy still in bad shape

It is possible. The markets simply do not believe that this is the end of the story. The Spanish banks may not go under, but only for now. The Spanish regional governments are still semi-bankrupt, the economy is in the tank, while there is an astonishing 24.5% unemployment rate in the country, with youth unemployment at a staggering 50%. Who's going to fix that?

Europe can provide more liquidity; but it cannot solve systemic economic and fiscal problems. The markets know this and they bet against the Spanish debt.

**Difficult To Reconcile
Democracy And the Speedy
Execution Of Major Public
Projects – The Case Of the
Light Rail Connecting
Washington DC And Its**

Airport: It Took 30 Years To Reach An Agreement On How To Do It

[the-subtitle]

By Paolo von Schirach

June 11, 2012

WASHINGTON – Think of it: it has taken 30 years to agree on the way to link Washington, the Capital of the United States, with Dulles, (its International Airport), with a mass transit system. Why so long? Because of lack of policy clarity, multiple jurisdictions, funding issues, various interests fighting one another, conflicts between Federal, State and Local powers and a lot more. You would think that we could do better in the Capital of the United States. Not so. (more on this later).

Democracy and big projects

It is now clear that democracy, with all its checks and balances, vetting, appeals and reconsideration of decisions already taken, does not go well with the conception, management and speedy execution of large public projects. Oddly enough in America, a modern democracy guided by (competent?) people who supposedly know a lot about efficiency and cost-effectiveness it takes forever to get any major public project done. And this hurts the public interest, not to mention business and economic competitiveness.

How things are (not) done in India

In dysfunctional democracies, like India, it is a lot worse. In India it is almost impossible to conceive and execute complex, multi-year projects that overlap various

jurisdictions, simply because the fractious politics are never fully aligned and the policy confusion, nicely mixed with administrative incompetence, almost guarantee gridlock and inability to progress. And this is why India is so far behind in the modernization of its antiquated infrastructure, something that all political and business leaders know to be harmful to economic growth.

Comical Italians

Then there are the comic book cases like the vaunted mega-project of the Bridge on the Messina Strait that would link the island of Sicily to the rest of Italy. Visiting the Italian Pavilion at the Shanghai Expo a couple of years ago, I was stunned to see, right at the entrance, a beautiful model of the Bridge. But nowhere could I find a notice clearly indicating that this engineering marvel was only a "project". Discussed for years, yes, but only a project. Talk about selling smoke to the unaware Chinese visitors who believed in good faith that the bridge had been built. (Needless to say, given Italy's finances, no way that the project will see the light any time soon).

Top-down China

At the opposite end of the spectrum there is China. In China major projects are ordered from the top and they are faithfully executed. There is no bargaining. There are no hearings, appeals or special votes. There are no NGOs organizing against this or that. (Well, this may be changing a bit now). As a result, China has managed to invest massively in public projects, this way modernizing its infrastructure in record time. Of course, the people who are ultimately the beneficiaries also paid the price. Nobody gets to choose or propose alternatives. And those who are in the way of a project are forcibly relocated, with nominal compensation for their losses. So things get done and fast; but the people have no say.

Complicated America

In supposedly modern and efficient America the picture is grim. Take for instance the national electric grid. It is very antiquated and extremely inefficient. You would think that America would have a good system to move electric power from state to state in order to maximize utilization depending on demand. Well no. In fact it is almost impossible to receive the authority to build new power lines, given the many jurisdictions and agencies involved.

For this reason it makes no sense to develop wind farms in the Mid-West where there is a lot of wind but not a lot of people and bring the power to the highly populated East Coast that could use the extra juice. The cost and time necessary to get to the agreements necessary to be able to build the power lines makes these projects totally impractical.

The metro to Dulles Airport, a never ending project

Closer to home, if you do not live in the Washington, DC area, probably you do not know that Dulles Airport, the Region's International Hub, does not have any mass transit system linking it to the city of Washington. That's right: as of today, there is absolutely nothing resembling a modern and efficient way to get from the airport into the Capital of the United States of America. And why not? Because of reasons that make the US look perilously like to India. After Dulles took off as a reasonably sized airport in terms of passengers volumes in the 1980s, there was no agreement on what kind of system to build and –most importantly– how to pay for it, until just a few years ago. Now, after 30 years of deliberations and false starts, finally the system is under construction.

Dulles was built in 1962. It became a significant hub in the 1980s, with major expansions in the 1990s and beyond. But construction on the the metro-rail system that will eventually

be linked to the existing metro network began only in 2009. And why so long? Well, even a cursory review of the time line associated with this project will tell you why. I started counting the "milestones" related to the various drafts, changes, amendments and funding decisions by the Congress, by the State of Virginia, (where Dulles is located), by the Counties involved and by the various authorities. After I reached 150 (over a period of 30 years) I stopped counting. Below is just one of the milestones, chosen randomly. This one conveys the extraordinary difficulties involved in getting public acceptance.

July 2002

"Public hearings on Draft EIS and proposed General Plans are held in McLean, Reston and Ashburn. Hearing advertisements were published in local newspapers and the Washington Post. Press releases (in Spanish and English) are delivered to 63 media outlets. Meeting announcements designated for public service broadcasting are sent to 51 radio and television stations in the region. Announcements for posting on television "bulletin boards" are delivered to Loudoun, Fairfax, Reston, and Herndon. The project Web site, project information centers in Reston and Tysons and community libraries in Fairfax and Loudoun counties provide information on the hearings. A project newsletter announcing the public hearings is sent to approximately 11,000 people. 13,000 copies of the Notice of Public Hearings (the notice included more detailed project information) are distributed to state and local agencies and representatives of civic associations within the study area".

Finally we have construction

And the list goes on and on, including Federal funding promised and then withheld by Congress, and agreements that seemed close and then vanished, who knows how many times. In the meantime, due to all these delays and complications, the

cost estimate for building only a few miles of light rail in the most advanced industrial country on earth (or so we thought) kept going up and up.

We have to find a better system

Well, the good news is that the Dulles Metro project is underway and that it will be completed in a few more years. The bad news is that this is no way to run anything significant in the world's largest industrial democracy. If this is the only way we can get major projects involving multiple jurisdictions done in America, then we really need to rethink democracy, governance and public policy. The system we created, a system that provides every possible tool to delay and derail, of course all in the name of participation and democratic controls, is hopeless.