

May 2013

## CED Trustees on Economic Policy: Concerned, Skeptical, and Engaged *CED Surveys Its Trustees in Inaugural Policy Poll*

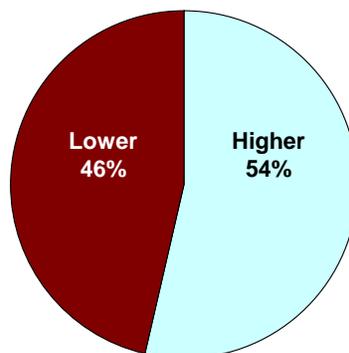
The press is running stories that the federal budget is improving. But CED's Trustees aren't convinced.

An April 2013 survey asked Trustees of the Committee for Economic Development about the state of the economy; monetary, fiscal, and healthcare policy; business statesmanship; and more.

**Question 1: Will the dollar amount of the nation's annual budget deficit be higher or lower five years from now than it will be this year?**

The non-partisan Congressional Budget Office (CBO) – which has a reputation for impartial analysis – projects that the budget deficit will decline from an expected \$845 billion this fiscal year (which ends on September 30) to only \$430 billion in 2015, rising slowly from there to \$605 billion in 2018 – even if the Congress and the President do nothing, and policy merely follows its current course. However, the CED Trustees are skeptical. Slightly more than half (54 percent) say that the deficit will be higher five years from now than it is this year.

**Will the dollar amount of the nation's annual budget deficit be higher or lower five years from now than it will be this year?**



*"Either economic growth will reduce the deficit in spite of the lack of Congressional statesmanship, or Congress will finally act (hopefully not too late!)."*

*(Answered: Lower)*

*"But this is not the critical measure. It is what will happen in ten years that is critical--the entitlement tsunami." (Answered: Lower)*

*"The Administration lacks a logical and realistic view of how negative the debt load is on the country. Tax policy is punitive and fails to stimulate growth." (Answered: Higher)*

**Question 2: Do you believe that Congress can or will reach a bi-partisan solution to the nation's budget problem this year?**

And as to the Congress and the President doing nothing, the Trustees have confidence. Eighty-eight percent do not believe that the Congress can or will reach a bipartisan solution to the nation's budget problem this year.

*"As long as the stock market is performing well and 10-year Treasuries are yielding 2%, politicians will see no urgency to make the kind of compromises that will be necessary to reach a solution." (Answered: No)*

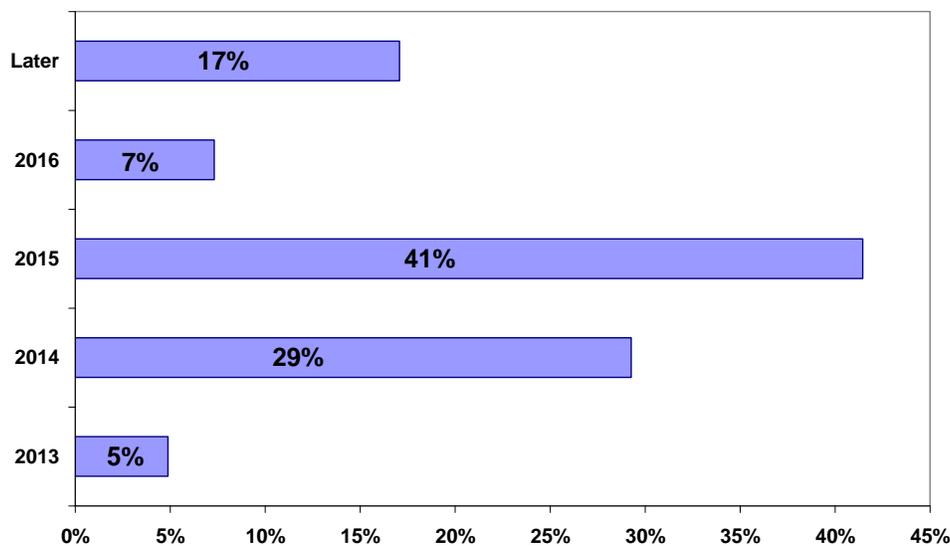
*"Congress and the president may make some progress; but there will be a need for continued steps since a mess that was created over 30 years will take some time to correct." (Answered: No)*

*"I have significant concerns that all we will see from either the Congress or the Administration will be the proverbial 'kicking of the can down the road.' There seems to be little courage in today's politicians to make leadership decisions - rather they wait to be 'cornered' and then react." (Answered: No)*

**Question 3: When will the Federal Reserve tighten its current stance on monetary policy?**

As to immediate prospects for the economy, our Trustees are less than enthusiastic. With some differences of opinion among them, they still see an extended period of monetary easing before the Federal Reserve begins to return to "normal." But some are anxious about precisely where that easy monetary policy will lead in the longer term.

**When will the Federal Reserve tighten its current stance on monetary policy?**



*"U.S. growth remains soft and other major economies in Europe continue to struggle – ongoing stimulus... to continue." (Answered: 2016)*

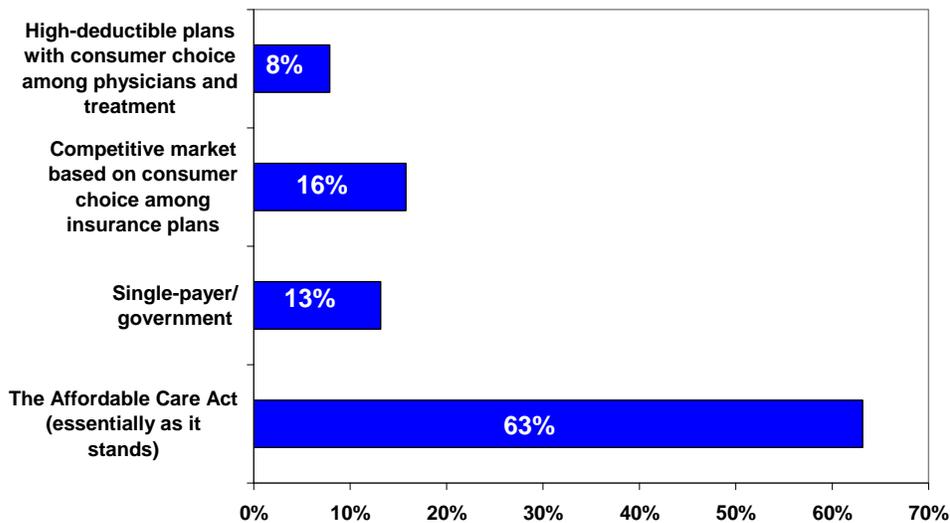
*"Quantitative easing has already continued too long." (Answered: 2013)*

*"Beware of the significant risk of a rate spike equal to that of the 1970s and 1980s." (Answered: 2014)*

**Question 4: What will be the nature of the U.S. healthcare system five years from now?**

Although the Trustees see what would amount to stability with respect to the nation's healthcare system, they aren't very happy about that, either. Sixty-three percent believe that the 2010 Patient Protection and Affordable Care Act will be the core of U.S. health care five years from now. But few consider that to be a good result. Several expressed a preference for a market among competing private health-insurance plans, as CED recommended before the enactment of the PPACA, but some feared a move in a very different direction.

**What will be the nature of the U.S. healthcare system five years from now?**



*"Reform has been so challenging that it will be difficult to achieve additional change. Second Obama term also suggests ACA will be focus for next four years." (Answered: ACA)*

*"I hope it is a competitive market but I unfortunately doubt that the leadership will enable that return." (Answered: ACA)*

*"I believe we will still be tweaking the Affordable Care Act we have today, but will be on the way to a single payer (the government). I also think this is the wrong direction, and that we should have the third alternative for an effective and affordable healthcare delivery system, i.e., competitive market with consumer choice." (Answered: ACA)*

*"It's a crime." (Answered: Single-payer/Gov't)*

*"It'll be more than five years before there are any substantial changes unless the government is unable to organize for the ACA, which is a possibility." (Answered: ACA)*

*"The ACA can't stand as written since it is not economically realistic. Individuals must participate in health care decisions." (Answered: High-deductible plans)*

So our Trustees are not optimistic about the prospects for turning our nation's front-and-center problems around. But they do have views about what we can do to move forward.

**Question 5: Of the following education areas, which do you consider to be the highest priority?**  
 When asked to choose their priorities among levels of schooling, the majority cited the K-12 level, relative to early-childhood or post-secondary education. However, several took us to task for pitting one essential investment against another.

*"To me, they're all tied for first." (Answered: K-12)*

*"Post-secondary poised for a technological revolution."  
 (Answered: College access & completion)*

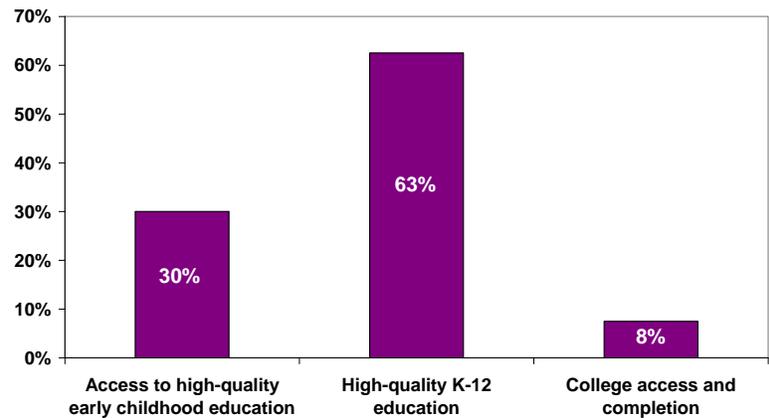
*"Our education needs lots of help. We need more "scientific" or systematic knowledge of whether socializing early childhood education works as well as familial engagement and attention during the first 3 years." (Answered: Early childhood)*

*"This is a both/and - we should not be playing them against each other. We must invest effectively in human capital at all levels." (Answered: Early childhood)*

*"America has got to invest in education. In particular, we have got to put extra energy and creative innovation into the segment of the population that is mired in the bottom 10% of our economy. While others move up and out and prosper, we have a desperate group bunched at the bottom that is simply not getting addressed or improved. We need to put forth a brute force effort to help break the vicious circle of poverty, lack of hope, and despair at the bottom of the chain."  
 (Answered: Early childhood)*

*"All of the above."*

**Of the following education areas, which do you consider to be the highest priority?**



**Question 6: Will U.S. corporate boards achieve 20 percent women board members in the next five years?**

Our Trustees also aligned with CED's campaign to accelerate the recruitment of qualified women to corporate boards, although more than one in three (34%) expressed concern that the widely recognized target of 20 percent membership will not be achieved even in the next five years. In the words of several Trustees: *"It is critical to increase diversity (e.g., women, emerging markets), but there is limited momentum on this;"* *"This is already well underway. It is a question of will U.S. boards continue to seek out best individuals versus a false measure to achieve a number;"* and *"They will be fools not to do this. It would only require adding one woman on average per year to surpass that number. Not only is it the right thing to do, the Davies Report makes it abundantly clear that it will happen to laggards who just don't get the message."*

***Question 7: Do you believe that U.S.-style capitalism needs to change?***

CED has a tradition of thinking globally – in both the literal and the figurative senses. Our founders first gathered in the darkest early days of World War II and, already confident of victory, planned to avoid the recurrence of depression when the war was won. Their vision helped to conceive the Marshall Plan.

Today, in a time of similarly existential stress, our Trustees are thinking about what capitalism must do to sustain itself. We asked our Trustees four questions relating to their global view about the future of our economic system, and what business can do to improve and strengthen it.

Interestingly, when asked whether U.S.-style capitalism needs to change, the Trustees were divided evenly. But their comments showed significant variegation of opinion.

*“Increase long-term focus to maximize value creation and ensure investment in critical issues (e.g., infrastructure, alternative energy).” (Answered: Yes)*

*“We need less regulation; regulations should be more sensible. We also need lower tax rates. A great competitive advantage of the U.S. has been our ability to raise and allocate capital and that should be facilitated by tax and regulatory policy, not impeded.” (Answered: Yes)*

*“Yes. Between banks, auto companies, green energy, etc... there is way too much wealth transfer going on from the middle classes to favored companies. Take the crony out of capitalism.” (Answered: Yes)*

*“We need far more long-term thinking, far better stewardship (of natural and human resources), and far more principled leadership focused on collective interests rather than exclusive self-interest.” (Answered: Yes)*

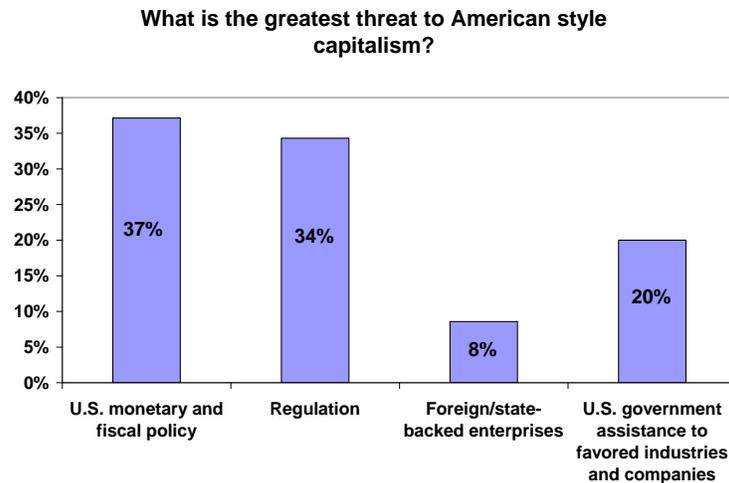
*“No, unless you consider the cronyism of some very big financial institutions which seek private profits and government subsidies of their cost of money.” (Answered: No)*

*“I hope not if the effect is less entrepreneurship and less dynamism. I do think that the banking sector needs to change.” (Answered: No)*

*“No. However, the political sentiment at the moment is clearly working against what has been a very successful model.” (Answered: No)*

**Question 8: What is the greatest threat to American style capitalism?**

And when asked to identify the foremost threats to capitalism, our Trustees showed a similar range of perceptions – but with a common theme among many that our nation is its own worst enemy, through poor public policy.



*"...and the anti-capitalism bias of the current administration." (Answered: Regulation)*

*"Monetization of the debt has prevented a depression, but let stupid fiscal policy off the hook." (Answered: U.S. monetary & fiscal policy)*

*"Deteriorating infrastructure; failure to build new, world-leading infrastructure; inadequate attention to education needs at all levels; failure to release the entrepreneurial energies of minorities."*

*"It's the nature of federal regulation that supports (and prefers) excessive concentration in the industries it regulates directly. The benefits of market competition are lost to a great extent, but the more difficult issues relate to where, when, and how innovation takes place and how the productivity benefits from innovation are distributed." (Answered: Regulation)*

*"But I am also concerned about misguided assistance (through economic support and/or tax policy) which has nothing to do with good economic theory, market need, or social benefit but rather reflects special interests, the rest of society be damned." (Answered: U.S. monetary & fiscal policy)*

*"Congress doesn't seem to know how to write a bill of less than 2000 pages and then turn the implementation over to bureaucrats." (Answered: Regulation)*

*"None of the above. The biggest risk is a polarizing political approach that fundamentally preaches an ethos of leveling the playing field at the expense of personal initiative and ambition."*

*"Regulation itself is necessary and can be positive. A number of current initiatives are too short term and highly politicized." (Answered: Regulation)*

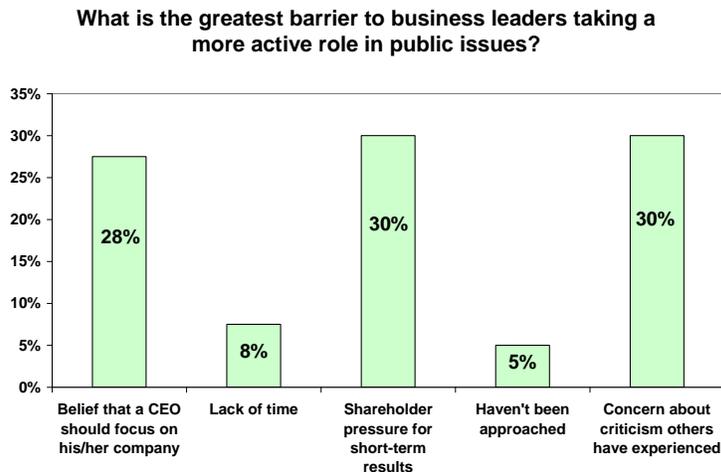
*"...and corporate short-termism. The combination of corporate short-term thinking and its constant lobbying for special loopholes, protections, and subsidies is contributing to making the downturn so persistent. Monetary policy is a crude policy instrument and is making some of our problems worse. State-sponsored competition and weak IP protections are very minor factors." (Answered: U.S. gov't assistance)*

*"Growing underclass."*

*"Greed."*

And what can business leaders do to safeguard the public interest? Why are they not more vocal in the public debate? We asked two questions to gauge our Trustees' concerns and needs as business statesmen.

**Question 9: What is the greatest barrier to business leaders taking a more active role in public issues?**



*"Lack of time is also a factor. CEOs are overly 'judged' by short-term results and, as a result, focus on this in many cases. Exceptions exist but are often non-public." (Answered: Shareholder pressure)*

*"CEOs are too focused on their companies, and when they come to Washington, on the direct issues that impact their company, and not the larger policy issues. However, their involvement and input would have great value to the process of government. Also, they could communicate their views with credibility in many public forums, but they don't do enough of this." (Answered: Belief that a CEO should focus on his/her company)*

*"Actually, business leaders are very actively involved in public issues, but it is through their lobbyists and trade associations. Lobbyists and trade associations per se do not have a particularly large incentive to eliminate all industry problems, in fact quite the opposite. Lobbyists and trade associations are strongly incented to deliver specific statutory provisions, and as a consequence laws and regulations become more complex. If business leaders themselves were directly involved, and acted in their long-term interests, results would be much better for companies and the nation." (Answered: Belief that a CEO should focus on his/her company)*

*"The risk of negative media attention is high, which often affects stock prices. Also, few CEOs have exactly the personalities that consume engagement with political figures, which is now necessary to be active in public issues. Even 25 years ago, it could have been done more privately; now, it's a very public affair." (Answered: Concern about criticism)*

*"Fear of being misunderstood and inability to reach out to the public in ways that generate trust." (Answered: Concern about criticism)*

*"Drawing lightning down on your company and yourself just doesn't appeal to everyone." (Answered: Concern about criticism)*

*"Need an easy way to get involved." (Answered: Haven't been approached)*

**Question 10: How do you prefer to engage in public policy?**

Finally, we asked our Trustees in which ways they choose to participate in the public square. Some said that they prefer an individual role, while others use national broad-based organizations. And we also received some endorsements of the CED model.

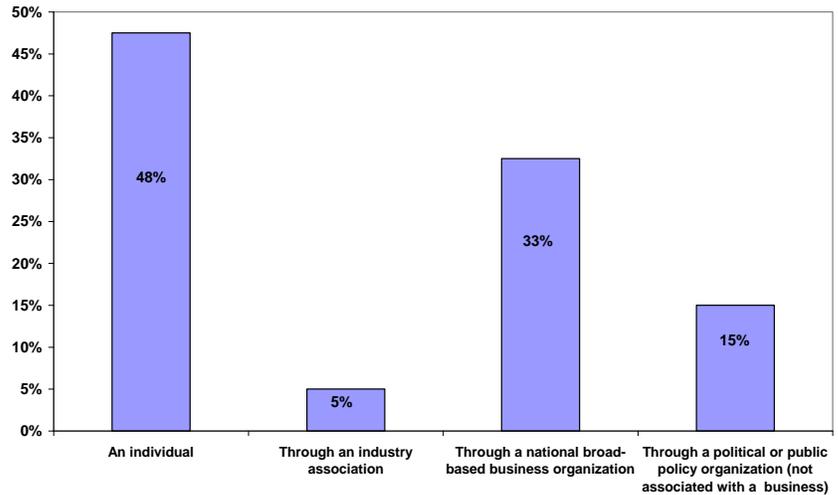
*“Finding like-minded individuals is always helpful in public arenas.” (Answered: Through national organization)*

*“I think the local or national business organizations would have the strongest voices, along with the voices of signature individual corporate leaders.” (Answered: Through national organization)*

*“I am retired but I deeply appreciate the opportunity to also stay engaged through the CED.” (Answered: As individual)*

*“The CED offers business leaders an excellent forum to be involved in the development of policy positions that further both the American system of capitalism and higher economic growth.” (Answered: Through national organization)*

**Do you prefer to engage in public policy as:**



This initial CED business-leaders poll told us that our Trustees see major challenges ahead, in terms of both the performance of our economic system and even the very survival of that system. But despite those challenges (or perhaps because of them) and the venomous political environment, our Trustees choose to engage to try to fulfill CED’s mission: rising standards of living, equitably shared among our population. The Trustees disagree on some particular policy choices, but they share the central purpose, and they are united in their belief in respectful, substantive debate. As perilous as these times may be, the role of CED and its mission has never been more important since those dark early days in World War II. We plan to repeat this poll periodically, and we will report to the public on the views of our business statesmen in years to come.

**About the Committee for Economic Development (CED)**

*CED is a nonprofit, nonpartisan, business-led public-policy organization that delivers well-researched analysis and reasoned solutions to our nation’s most critical issues. All of CED’s work centers on the pursuit of seven core principles: sustainable capitalism, long-term economic growth, efficient fiscal & regulatory policy, competitive & open markets, a globally competitive workforce, equal economic opportunity, and non-partisanship in the nation’s interest. CED’s research falls under four issue areas: fiscal health, education, global competitiveness, and democratic institutions. Learn more about CED online at [www.ced.org](http://www.ced.org).*

**About the Poll**

*The above analysis is derived from an April 2013 survey with 41 CED Trustee respondents, conducted online. Responses are anonymous, and some comments have been edited for length without damaging the integrity of purpose. Some Trustees who did not provide specific answers to particular questions did offer comments on those questions.*