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Dear Mr. President,

We are really glad that you have made some time to read this letter. We know that you have a lot of issues competing for time, but our experts have carefully put together the following perspectives on stimulating the economy, covering a wide range of topics on employment, credit market, trade and sustainability. We realize that you are moving fast with an already well-thought-through stimulus plan, and hope to provide some helpful ideas on further improving the existing plan.

I. Employment Focus: Healthcare and Education

The foremost task of reviving the economy is creating employment. Current stimulus plan creates 3.7 million jobs across industries. The top three sectors in terms of absolute and % job increase are construction (700K, 9.9%), retail trade (600K, 4.0%) and leisure/hospitality (500K, 3.7%), constituting close to 50% of the total job creation.

However, these sectors have intrinsic disadvantages: Construction projects require long lead time to implement, and success of retail and leisure/hospitality growth hinge on consumption growth. With government deficit high and people's savings rate low, the stimulating effects might be slow to come, and hard to sustain.

We believe the job creation plan needs to be more aspiring. Scanning through sectors, Education & health care sector, with large work force (19m), has obvious improvement potential. Setting more aggressive goals in this sector alone can create about 2.5-3 million new jobs as opposed to 240,000 jobs in current plan:

Healthcare: Even though the US spends ~15% of GDP (highest level in the world) on health care, quality and availability only ranks world 37th (WHO report). The expensive ineffectiveness results from a profit-centric industry that favours fancy technology and high earnings, while under-focusing on coverage.

Just to quote some examples from OECD statistics, European countries have 3.2 practicing physicians per thousand population, 30% higher than US' 2.4. In contrast, these countries have average of 6.5 MRI units per million populations, while the US has 26.5, 4 times as many.

Observing such sharp contrast, we believe that the US has huge potential to improve basic healthcare access. As private players have historically shunned such focus, public sector healthcare should be nurtured to fill the gap.

Increase US physician density to European average, there will be another 230,000 physician jobs, or about another 1 million jobs in healthcare.

Education: According to OECD statistics, European countries have on average 17 teachers per thousand people. The US fares slightly lower than that average, while the Scandinavian countries perform way higher around 22-24 teachers per thousand people.

We believe a more outstanding education industry is particularly relevant to today's economy given high unemployment. We are glad to notice your recent attention on promoting education and training. We

believe the US could be more aggressive in targeting to align its education sector with leading countries such as Sweden or Norway. This will create 1.5-2 million more domestic jobs.

II. Reining on the financial industry

One of the earliest objectives of all economic rescue efforts is to protect home owners and rescue the banking industry from credit freeze. The US treasury acted quickly to set up a USD 700 billion TARP fund to purchase troubled mortgages, a plausible move.

However, two problems foreshadow the success of the program. First, high TARP asset purchase prices have caused tax payer concerns. Second, the jury is out whether a revived banking industry will start lending as expected, and whether the speculative activities that caused the financial implosion will return.

We believe the following ideas could be considered to improve the effectiveness of TARP and bring more control over the banking industry.

Creating strategic home reserves: As a February report from the Congressional Oversight Panel pointed out, the Treasury paid \$254 billion for assets worth about \$176 billion. Right or wrong, such reports raise serious public concerns and impede execution. One reason of the pricing debate is lack of generally accepted benchmark pricing. Moreover, with prospects of massive foreclosures, the treasury does not have easy walk-away option in negotiations.

We believe allocating part of TARP money to buy or construct vacant homes forming a strategic home reserve could alleviate the situation. With such reserve in treasuries' pocket, banks can no longer use foreclosures as negotiation chips. Benchmark price would be fixed at "replacement cost". With much transparency and clarity, TARP execution will be much smoother.

Regulate and de-concentrate speculation: A closer look at TARP money's distributions reveals that the top 10 out of 600 recipient institutions receive 80% of the money. While these ten institutions certainly do not have the branch network to service 80% of the country's real economy credit demand, this statistics has to result from concentrated financial asset holding.

While necessary to economic growth, ease to pass on risks through credit derivatives trading encourages irresponsible risk appetite (such as in sub-prime loans), and the concentration of such assets creates "too big to fail" but "too fat to dodge the bullet" scenarios. While much debate has been on regulating derivatives, we believe that the key lies in moderating risk transferability and concentration. Relevant authorities should be given additional policy objectives, and held accountable to step up control over the scale and degree of concentration in risk market.

III. Rebalancing trade: encourage export

As domestic consumers realize that they can't keep on spending the future, America will need to settle its current economic capacity on lower domestic demand. At the same time, US economy has been comparatively domestic focused, with gross export of goods and services accounting for about 9% of GDP, comparing to average of around 25% of GDP for OECD countries. Thus, we believe US should work on exploring its untapped export potential to avoid real economic contraction due to lower domestic demand.

One necessary preparation is to **reviewing export control policies:** Recently, the American Chamber of Commerce in China issued a white paper reporting on the outdated export licensing restrictions and their negative impacts. Similar agony can also be found in reports about many other US exporters. Such

anecdotes, pieced together with US export's low % GDP contribution, indicate the need to review export policies and remove any outdated artificial impediments to healthy export.

Additionally, US should **adjust its strategic trade partnership focus** to fit the global economic heat map. For example, even though the BRIC accounts for about 24% of US import, they only account for 12% of US export. We strongly believe that US trade authorities could map out trade complementarities and strategically develop closer ties with high-potential export partners.

IV. Developing sustainability

Last but not least, you must be fully aware of US' fiscal deficit problem. We believe it is also highly relevant to economic recovery because convincing the world that the US is still solvent is crucial. Below are some thoughts on alleviating the mind-boggling issue: the \$100 trillion unfunded government liabilities from healthcare (85%) and social security (15%).

Develop public healthcare: As we mentioned earlier, US healthcare system is expensive and inefficient, caused by fragmented private sector providers with multi-payer insurance industry inflating medical bills for profits.

Fortunately, there are plenty of success cases to learn from: 28 industrialized countries have single payer insurer system providing universal health care system and yet spend less than half of US level. In the developing world, we also witnessed how the Indian healthcare industry innovated service models and works profitably with most patients living in poverty.

We suggest the US to choose from one of the successful foreign models to grow public sector healthcare focusing on necessity service. On top of cost reduction benefits, such changes also turn healthcare from a pure cost centre into a self-sustaining non-profit public enterprise. Such changes take enormous efforts, but will give Americans, for the first time in history, access to healthcare as right of citizenship.

Monetizing US competitive advantage: To provide for the 76 million baby boomers' retirement with tax revenue from a smaller work force today, the US needs higher nominal labour productivity. While achieving this, to prevent inflation, the US needs to leverage overseas' ample and low cost labour to produce goods for its consumers. To do that, the US needs to increase foreign economies' demand on the USD, which, in today's environment, can only be achieved by developing more compelling trade value propositions, e.g. developing goods or services that other countries greatly need to get from the US using the dollar.

We believe that the US should aggressively push towards the development and quick monetization of its traditional competitive advantages such as R&D capabilities. A strategic "Innovation for Export" program liberalizing/subsidizing cutting edge researches, and encouraging knowledge export will be important. With improved trade value propositions, the US will be in a better position to work with the world and sustain its economic development.

Mr. President, with all the above, we hope our discussions have raised some interesting points. To keep it brief, we have left much of the detailed research out of this letter, but would be very happy to discuss if your team is interested. We look on your leadership in showing us out of the crisis, and wish you all the best in every step you make!

With Warmest Regards

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