

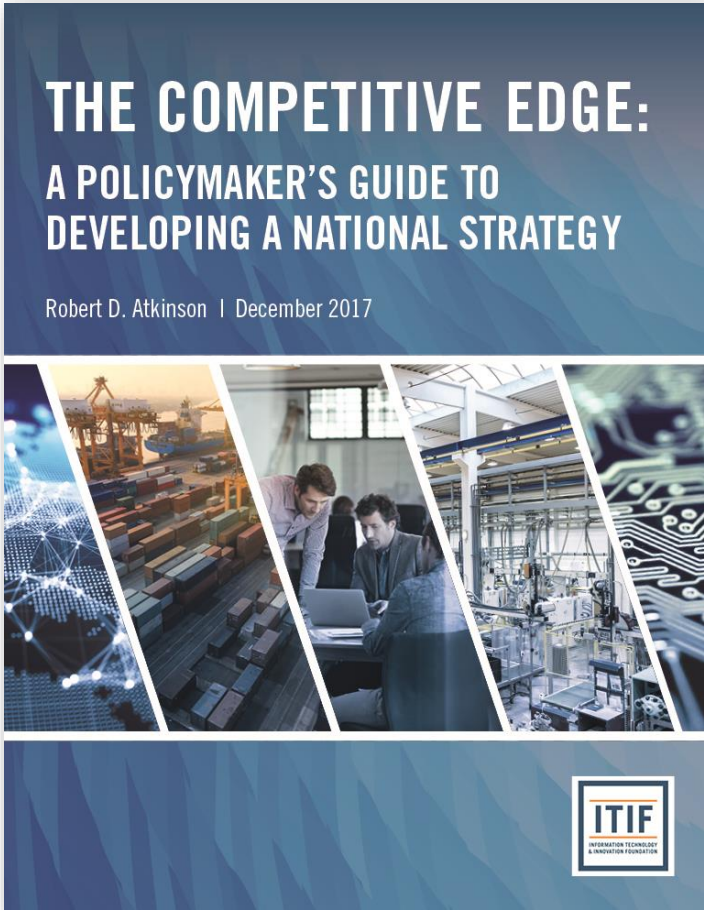
The Competitive Edge: A Policymakers' Guide to Developing a National Strategy

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The Competitive Edge



About ITIF

- One of the world's top science and tech think tanks
- Formulates and promotes policy solutions that accelerate innovation and boost productivity to spur growth, opportunity, and progress
- Focuses on a host of issues at the intersection of technology innovation and public policy:
 - Innovation processes, policy, and metrics
 - Science policy related to economic growth
 - E-commerce, e-government, e-voting, e-health
 - IT and economic productivity
 - Innovation and trade policy

Today's Presentation

- 1 What is Competitiveness?
- 2 How Competitive is the U.S. Economy?
- 3 Why is Competitiveness Important?
- 4 Why No U.S. Competitiveness Policy?
- 5 Competitiveness Policies

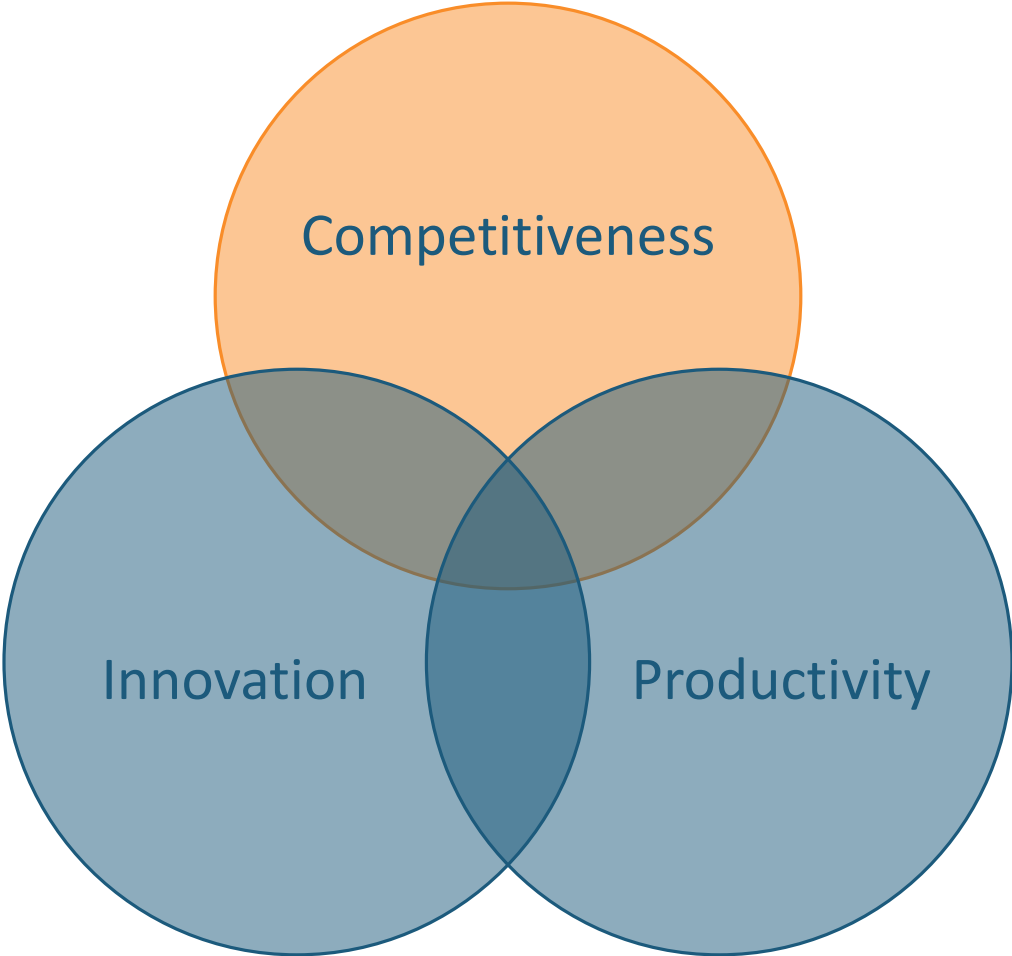
Productivity?

- “The only meaningful concept of competitiveness at the national level is productivity.” (Michael E. Porter, *Competitive Advantage of Nations*)
- Competitiveness is “the set of institutions, policies, and factors that determine the level of productivity of a country.” (World Economic Forum, *Global Competitiveness Report*)

No, It's Not Productivity

- Competitiveness is the ability of a nation's non-mineral-based traded sectors to effectively compete in global markets in the absence of subsidies and government protections, while receiving a strong price premium that enables strong terms of trade.

Productivity, Innovation, & Competitiveness Are Different



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Great, According to Most Reports

- IMD says #1
- WEF says # 3
- Council on Competitiveness says #2 (for manufacturing).

Why So Pollyannaish?

- Use indicators with no relation to competitiveness or competitiveness performance
- Rely on opinions and as such are biased toward large nations
- Ignore national “discounting” and “charging”

U.S. Economy Has Become Less Competitive

- The trade-weighted value of the U.S. dollar is unchanged since 1998, while the non-petroleum trade deficit as a share of GDP is up 87%.

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Why Is Competitiveness Important?

- Living standards
- Macroeconomic boost
- More favorable terms of trade
- “Animal spirits”

What is Competitiveness Policy?

- A coordinated and strategic array of economic policies specifically designed to boost true competitiveness; including tax, regulatory, skills, analysis, technology, talent.

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Economic Establishment Doctrines

- Competitiveness doesn't exist.
- Industrial structure doesn't matter.
- Competitiveness policy is harmful.
- We're doing fine – manufacturing job loss is from technology; trade deficit is from lack of savings.
- Trade is always win-win.
- Attacking mercantilist policies makes us mercantilist.

National Security Establishment Doctrines

- US interests are first and foremost national security interests
- Economic goals must be in the service of national security goals.
- Fighting mercantilism reduces our ability to pursue national security goals.

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Competitiveness Policies: Tax and Regulation

- Regulatory: Competitiveness regulatory reviews.
- Tax Policy: Tax Incentives for Investment (e.g. R&D credit, investment credit, innovation box)

Competitiveness Policies: Firm Support Policies

- Industrially-focused R&D Policies (e.g. Manufacturing USA, MEP, etc.)
- Industrial skills (apprenticeships, skills alliances, etc.)
- Export Financing (Ex-Im Bank)

Competitiveness Policies: Trade

- Attracting Greenfield (Select USA)
- Enforcing trade policies and fighting mercantism

Competitiveness Policies: Analysis

- Need institutional home to:

- Develop a “working picture of the nature of competitiveness and innovation, their importance to the nation’s economic health, and their sources.”
(Reamer,)
- Assess aspects of traded-sector competitiveness (e.g., trends in FDI, growth of traded-sector jobs and output, changes in global market share of traded sectors, etc.).
- Focus on select traded sectors and develop strategic roadmaps of how government can promote sector competitiveness.

Thank You!

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