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

Dr. Robert D. Atkinson
President, ITIF

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@RobAtkinsonITIF
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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3. Why is Competitiveness Important?
4. Why No U.S. Competitiveness Policy?
5. Competitiveness Policies
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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What is Competitiveness Policy?

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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!

Robert D. Atkinson | ratkinson@itif.org | @RobAtkinsonITIF