

# Towards a Federal Strategy for U.S. Economic Competitiveness

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# Federal Competitiveness Strategy

- **Rationale**
- Principles of Approach
- Analytic Activities
  - Economic Analysis
  - Policy and Program Analysis
  - Strategic Industry Analyses
  - Factor Analyses

# Rationale

- Nation's economic well-being determined by U.S.-based establishments' ability to sell in global markets
- Establishments' competitiveness depends their capacity to innovate
- Market mechanisms cannot provide businesses with adequate access to resources important to competitiveness
- Historically, Federal government has played important role in facilitating business access to important resources not adequately provided through market mechanisms

# Rationale

- Between 1790 and 1934, Federal government actively pursued national competitiveness strategies. Elements at various times included:
  - Government-business collaborations in
    - technology research and development
    - market development
    - standards development
    - network development
    - patent acquisition
    - new business development
  - Transportation and communications investments
  - Economic data collection and analysis
  - Knowledge and information dissemination
  - Commodity-specific trade policies

# Rationale

- Since WWII, the Federal government has been less interested in competitiveness strategy
  - Reasons—initial lack of competition, disciplinary and political norms, dominance of macroeconomic policy paradigm
- While other nations have coherent competitiveness and innovation strategies, the U.S. does not
- Recent ad hoc Federal efforts to promote competitiveness have fallen short of intended results
- It's in the nation's interest for the Federal government to strategically assess the nation's competitiveness and innovation capacity and encourage improvements
- Such actions will aid the American public in understanding the importance of investing in building the nation's base of assets

# Federal Competitiveness Strategy

- Rationale
- **Principles of Approach**
- Areas of Strategic Activity
  - General Assessment Resources
  - Federal Innovation Policy and Program Management
  - Strategic Industry Analyses
  - Analyses of Drivers of Competitiveness and Innovation

# Principles of Approach

- **Knowledgeable.** White House requires a “economic intelligence network” that provides regularly updated information on:
  - U.S. traded sectors
  - Resource systems, such as workforce development, R&D, and communications infrastructure
  - Federal competitiveness policies and programs
  - Relative efficacy of alternative approaches
- **Catalytic.** White House should channel and facilitate action, not manage it
- **Collaborative.** White House should facilitate development of inter-organizational networks for intelligence gathering, policy development and implementation

# Principles of Approach

- **Innovative and Entrepreneurial.** White House should encourage efforts that are creative and market-responsive, not linear, formulaic, or prescriptive.
- **Strategic.** White House should encourage policies and programs with high impact relative to cost. To this end, it should, as possible:
  - Promote information- and relationship-based efforts over financial and regulatory ones
  - Leverage existing Federal and non-Federal resources before investing new Federal resources



# Principles of Approach

- **Flexible, Adaptable, Modular, and Patient.**

The proposed approach:

- reflects the fact that the speed of market change outstrips any government's ability to create relevant strategic responses
- can provide evidence-based rationales for competitiveness-enhancing investments
- can be implemented at a pace consistent with available resources
- will require the development of new skills, habits, and culture among Federal staff
- should lead to regular communications with Congress on competitiveness issues and opportunities

# Principles of Approach

- **Aligned with Historical Precedent.** White House should recognize rich history of strategic competitiveness policies since Republic's founding.

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# Analytic Activities—Economic

- Overview of structure of U.S. traded sector over time
- Picture of drivers of competitiveness, innovation
- Indicators of U.S. competitiveness
- Improved economic statistics
  - Innovation accounting
  - Longitudinal Enterprise Database
  - Trade in services
  - International prices
  - Mapping global value chains and measuring trade in value-added

# Analytic Activities—Policies and Programs

- Reference documents on competitiveness, innovation, entrepreneurship
  - U.S. Code sections
  - Executive orders
  - Profiles of Federal programs
  - Directory of Federal economists and analysts with relevant expertise
- Capacity to evaluate impacts of policies and programs on competitiveness

# Analytic Activities—Strategic Industries

A strategic industry analysis:

- Describes the U.S. industry in a global context
- Measures the industry's economic contributions
- Identifies key drivers of competitiveness
- Assesses competitive strengths and weaknesses
- Develops consensus regarding issues and opportunities among a wide set of private and public actors
- Identifies elements of a U.S. strategy going forward
- Catalyzes public and private action

# Analytic Activities—Strategic Industries

- White House should commission several strategic industry analyses to test approaches and assess their value
- Option 1: Commission interagency industry study teams
- Option 2: Issue request for proposals
  - Proposals might come from federal agency teams, academic institutions, trade associations, consulting firms, and nonprofit research organizations

# Analytic Activities—Factors

- Key factors—including workforce, infrastructure, R&D, entrepreneurship—have a substantial influence on the competitiveness of U.S. industries
- It is suggested that the White House should commission a standing interagency task force in each key factor area to
  - assess current conditions, their influence on industry competitiveness, issues and opportunities to be addressed
  - identify steps for addressing these issues and opportunities



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