RESEARCH

Competing Concepts of Competitiveness

BY GERALD W. BRACEY

IN THE February 2008 column, I devoted a couple of paragraphs to competitiveness. Because the subject is so misunderstood, I want to expand on those paragraphs and explain why the schools could not be the principal determiners of competitiveness. The short answer is: there are too many other factors involved.

As this is written, the Super Bowl has just ended, the Oscars are just around the corner, and down the road is the quadrennial campaign to see who will be the next President. These are the kinds of events Americans associate with the idea of competitiveness: it's a binary, zero-sum, you-win-I-lose notion. Unfortunately, this kind of thinking also extends to notions of national economic competitiveness. This was the prevailing sentiment in early December when a gaggle of people whose chief job description these days seems to be "professional fearmonger" gathered at the National Press Club to decry the results of the latest administration of PISA (Programme for International Student Assessment). "Our students' performance today is the best indicator of our competitiveness tomorrow" was how Raymond Scheppach, executive director of the National Governors Association, put it.

Former West Virginia Gov. Bob Wise chimed in with "This [PISA] is the academic Olympics." Others at the hand-wringing fest included Craig Barrett, chairman of Intel; Vivien Stewart, vice president of the Asia Society; John Castellani and Susan Traiman, president and education officer, respectively, of the Business Roundtable; and Roy Romer, former governor of Colorado, former superintendent of schools in Los Angeles, and currently head of ED in '08.

But is it really a zero-sum, Olympic-style competition? We needn't see it that way. The computer chip, invented in the U.S., is one of the major tools enabling China and India to gradually morph into developed nations. The whole world uses the chip. Who cares if an AIDS vaccine is invented in Los Angeles or Lagos or Banja Luka? The world will benefit, and all countries will become more competitive.

New York City Mayor Michael Bloomberg got it right in a recent essay in *Newsweek* (31 December 2007-7 January 2008):

> While we should recognize that China and the United States are competitors, we should also understand that geopolitics and global economics are not zero-sum games. Just as a growing American economy is good for China, a growing Chinese economy is good for America. That means we have a stake in working together to solve common problems, rather than trying to browbeat or intimidate the other into action.

Bloomberg's perspective prevails in the annual *Global Competitiveness Report* from the World Economic Forum (WEF) in Davos, Switzerland. The WEF analyzes and ranks nations on global competitiveness, 131 of them in the 2007-08 report. Over the years, WEF has developed a ranking system that examines 12 "pillars of competitiveness," including such things as infrastructure and institutions. The 12 are then combined into a single index. My discussion below omits one — market size — which the WEF admits is more controversial than the rest.

The U.S. is number 1 and has been for most of the last decade, occasionally falling to number 2. Thus the WEF report gives the lie to Scheppach's contention above.

The WEF's is an unapologetically materialist, capitalist, business-oriented world view, but it operates in terms of what countries do for their citizens to improve productivity and the standard of living. We can see this in the high rankings awarded to Denmark (3rd), Sweden (4th), Finland (6th), and Norway (16th) in spite of their tax burdens, which are widely perceived in the U.S. as so onerous as to depress business initiative. These four nations rank 110th, 126th, 115th, and 64th, respectively, in "extent and effect of taxation." They also rank well below 100th place in the flexibility employers have to set wages. These rankings reveal that the idea that capitalism went up against socialism and capitalism won is just too simplistic.

It is possible to see the schools as responsible for social problems only because until recently Americans have taken so many of the pillars of competitiveness for granted and don't think of them in terms of competitiveness. I'll look at them more closely below, with the U.S. rank on each in parentheses.

Infrastructure (6th). Until Katrina blew into town and that bridge between Minneapolis and St. Paul fell into the Mississippi, probably few Americans thought

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that the infrastructure was in serious trouble or that it figured into global competitiveness. There were too many cars on the road and too many potholes by the end of winter, but other than that things seemed okay. Now we know different. You can move goods and services efficiently only with an effective infrastructure, which includes ports, airports, and train lines. You also need a reliable supply of electricity (ask any Iraqi) and a solid, extensive, and rapid telecommunications network.

The collapsing bridge episode exemplifies what journalist Rick Perlstein calls "e. coli conservatism," because it can be deadly. The legislature wanted to fix the bridge, but Gov. Tim Pawlenty refused to approve the additional funds. If you don't have appropriate oversight of the infrastructure and you don't spend money to keep it in good repair, then you get e. coli in your spinach and beef and salmonella in your poultry and eggs — and your bridges fall down.

Institutions (23rd). In some countries, you don't get the amenities of life unless you know someone or are related to someone or are willing to pony up a bribe. The WEF report is clear: "Excessive bureaucracy and red tape, overregulation, corruption, dishonesty in dealing with public contracts, or the political independence of the judiciary system pose significant economic costs and slow down the process of economic development" (p. 4).

The corporate scandals of the last few years, says the report, have signaled us how important accounting and reporting standards are in the private sector. If private institutions lack honesty and ethical behavior, consumers and investors alike lose confidence (e.g., subprime mortgage debacle).

Macroeconomy (75th). This is the worst showing for the U.S. If we didn't have low inflation rates, we'd be even farther in the hole because of our gigantic budget deficits and, even with a tumbling dollar, large trade deficits. We borrow over a billion dollars a day from the Chinese. (China could wreck the U.S. economy by switching to euros, but a shattered U.S. economy would be even more devastating to China.) Money paid as interest on debt cannot be used to improve productivity or the lives of citizens.

Health and primary education (34th). Readers who recall W. Norton Grubb's October 2007 *Kappan* article on Finland will remember that he reported no incidence of children not being able to come to school because of chronic health problems. Finland's universal health-care program takes care of that. American children, by contrast, miss school because of asthma, lead poisoning, HIV, and other physical ailments. A UNICEF study ranked the U.S. 20th of 21 wealthy nations in taking care of children.

Higher education and training (5th). The WEF combines these two because it sees on-the-job training as an ever-increasing requirement in a rapidly changing job environment. I'm surprised the U.S. does as well as it does on the subindicator "extent of staff training" (11th), given that the earlier Sandia Report and the SCANS (Secretary's Commission on Achieving Necessary Skills) report indicated that such training was problematic and scarce.

Goods market efficiency (12th). "Countries with efficient goods markets," says the WEF, "are positioned to produce the right mix of goods and services given supply-and-demand market conditions, and such markets also ensure that these goods can be most effectively traded in the economy" (p. 5).

Labor market efficiency (1st). In addition to having the right goods, you need to make sure that you have the right people in the right jobs and that they have incentives to put forth their best effort. More than any other indicator, this one presents workers as cogs in the business machine.

Financial market sophistication (11th). Sophisticated financial markets make capital available for investments through a sound banking system, well-regulated securities exchanges, and venture capital.

Technological readiness (4th). "It does not matter whether a country has invented electricity, the Internet, or the airplane," argues the WEF. "What is important is that these inventions are available to the business community" (p. 5).

Business sophistication (7th). Businesses have to be ready to adopt new inventions, have to be of high quality, and have to belong to high-quality networks.

Innovation (1st). "Firms in these [innovative] countries must design and develop cutting-edge products and processes to maintain a competitive edge," says the WEF. "This requires an environment that is conducive to innovative activity, supported by both public and private sectors. In particular, this means sufficient investment in research and development especially by private, high-quality scientific research institutions, collaboration in research between universities and industry, and the protection of intellectual property" (p. 6).

Obviously, these pillars of competitiveness are interrelated. Innovation is not likely to occur in countries that don't guarantee protection of intellectual property. Market and labor efficiencies cannot be realized in nations that have poorly developed infrastructures. And so on. Still, it should also be obvious that competitiveness is much more complex than those who would hold the schools alone accountable for the state of the union would have us believe.

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