



# 2012 WASHINGTON IDEAS FORUM

WORKING SUMMIT OVERVIEW: AMERICAN COMPETITIVENESS

Prepared by Malcolm Burnley, *The Atlantic*

## AMERICAN COMPETITIVENESS

Overcoming the obstacles to U.S. economic growth

### THE CONVERSATION

Charged with identifying the obstacles the United States faces on the path to economic recovery, government and business executives met with academics, journalists, and trade experts as part of a working group on American Competitiveness at the Washington Ideas Forum in mid-November. Participants considered near-term scenarios which threaten American competitiveness (such as crossing the year-end “fiscal cliff”) while carefully weighing potential longer-term strategies to enhance competitiveness, including reforms to trade, tax, workforce development, and manufacturing policy.

Moderator Ed Luce of *The Financial Times* framed the roundtable with these opening remarks: “This is a moment of truth: there are different schools of thought about where America is and how to get America out of this slow recovery.” On one side, Luce cited economists, such as Paul Krugman, who point to efficiency and productivity metrics as key economic indicators. On the other side, he said, are those who emphasize structural overhauls in education, tax policy, and research and development incentives as key to bolstering American competitiveness.

Consensus over how best to measure competitiveness eluded the group. Participants cited contradictions in the numbers – for example, recent gains in U.S. productivity have been shadowed by a stubbornly high unemployment rate. “There is a disconnect,” Deborah Wince-Smith of the Council on Competitiveness said, identifying a gap between productivity and job growth.

Many participants said tax reform is of critical importance, particularly in terms of stimulating the private sector to invest in American jobs. The Center for Economic and Policy Research’s Eileen Appelbaum called for eliminating loopholes that allow offshoring, in hopes of bringing firms’ tax revenue, intellectual property, and skilled positions back home. “If they don’t pay taxes, then we’re back to Greece,” Appelbaum stated.

Other participants cautioned that overregulation in pursuit of tax repatriation would only shrink American productivity, and hurt the global competitiveness of U.S. businesses. “If our overseas companies can save money on foreign taxes, that’s good for us because that increases their profitability,” said Richard D’Aveni, a professor of management strategy at Dartmouth’s Tuck School of Business.

Although there were competing visions for how to reshape the U.S. tax code, there was broad urgency to reform it. “We have a system that is riddled with exemptions, a very high marginal tax rate, and misallocated resources across industries,” said Gene Amromin of President Obama’s Council of Economic Advisors. “There is no sane economist that would design this system if it were up to them.”

Most participants shared disappointment at the political wrangling over the fiscal cliff, but several perceived another area of gridlock—the failure to adequately modernize higher education policy—as equally worrisome. Several participants championed reforms to college curricula that would incorporate more advanced engineering and software-development programs.

The U.S. Department of Commerce’s Chief Economist Mark Doms expressed a frustration that many in the group shared: “The educational establishment doesn’t want to produce people for welding and pipe-fitting, even though

that's where the jobs are. Instead of pouring more [federal] money into the educational sector, we should encourage local and state governments to take responsibility for skills training and educational reform.”

Perhaps the broadest consensus was this one: The need to invest in human capital is essential for a thriving and competitive American economy. Other suggestions included immigration reform, incentives for attracting foreign entrepreneurs, and public-private partnerships between business and higher education leaders in order to create adaptive job incubators.

### **FIVE BIG IDEAS**

1. Shift attention away from the fiscal cliff and toward long-term growth; from Bush-era cuts toward permanent tax reform; from Medicare expenditures to systemic health-care inflation.
2. Community colleges must be better financed in order to create effective workforce training programs and fill advanced-manufacturing jobs.
3. Streamline legal immigration so that more of the world's best and brightest launch their businesses in America; this shift would also counteract our aging population.
4. Split the analysis of import-export policy: prioritize expanding imports (thereby stimulating manufacturing) more so than decreasing exports.
5. Expand natural gas drilling to enhance productivity; allow America to become the “Saudi Arabia of Natural Gas” and also improve our renewable-energy portfolio.

### **ATTENDEES**

**Moderator:** Ed Luce *Chief US Commentator* **The Financial Times**

**Host:** Zazie Lucke *Associate Publisher - Integrated Marketing* **The Atlantic**

### **Participants:**

- Gene Amromin *Senior Economist* **Council of Economic Advisers, Executive Office of the President**
- Marco Annunziata *Chief Economist* **General Electric**
- Eileen Appelbaum *Senior Economist* **Center for Economic and Policy Research**
- Doug Belair *Senior Vice President of Strategy and Planning* **BAE Systems, Inc**
- Richard D'Aveni *Professor of Strategic Management* **Tuck School of Business, Dartmouth College**
- Mark Doms *Deputy Undersecretary of Economic Affairs* **United States Department of Commerce**
- Tom Duesterberg *Executive Director of the Manufacturing and Society in the 21st Century* **Aspen Institute**
- Bruce Gates *Senior Vice President, External Affairs* **Altria Client Services**
- Marilyn Geewax *Senior Editor* **NPR**
- Fred Hochberg *President and Chairman* **Export-Import Bank of the United States**
- Erik Huey *Senior Vice President* **Electronic Arts**
- Rob Johansson *Deputy Chief Economist* **United States Department of Agriculture**
- Kevin Keller *Chief Executive Officer* **CFP Board**
- Michael Lind *Policy Director, Economic Growth Program* **New America Foundation**
- Matthew McGuire *Assistant to the Secretary and Director of the Office of Business Liaison* **United States Department of Commerce**
- Candice Olson *Chief Operating Officer and Founder* **The Fullbridge Program**
- Pamela Passman *President and Chief Executive Officer* **Center for Responsible Enterprise and Trade (CREATE.org)**
- JJ Ramberg *Anchor, "Your Business"* **MSNBC**

- Miriam Sapiro *Ambassador United States Trade Representative, Executive Office of the President*
- Leonard Schlesinger *Former Chief Operating Officer of The Limited Brands and Au Bon Pain, President Babson College*
- Joan Walker *Executive Vice President, Corporate Relations Allstate Insurance Company*
- Deborah Wince-Smith *President and Chief Executive Officer Council on Competitiveness*