



# A Focus on Competitiveness

## Restructuring Policymaking for Results

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# Introduction and summary

U.S. policymakers face the extraordinary challenge of restoring a recession-ravaged economy while simultaneously re-engineering it to thrive in a world of unprecedented global competition. Their recent focus by necessity has been on responding to record high levels of unemployment, repairing the financial system architecture, finding a path toward fiscal balance, and rebuilding the crumbled pillars of the economy.

Now our nation must turn to building on this new foundation a competitive 21st-century American economy in a thriving global market. We need a common, long-term strategy to ensure that American firms find more global investors and customers, that more jobs are created in the United States, and that workers here and around the world enjoy a rising standard of living.

Other countries face the same challenge, but some may be better organized to tackle it. Nations in both the developed and developing world propose, debate, and adopt economic strategies more formally than we do. And many other countries organize their economic policy apparatus more explicitly around the question of how to effectively compete.

The United States does have formal ways of developing long-term national security strategies, among them quadrennial reviews by the departments of defense and state. (It is telling that these security-planning efforts are increasingly focused on the centrality of the country's economic strength to its overall security.) Although our long-term national security planning processes have been criticized for fragmentation and lack of measurement, they do contain the core elements essential to guiding a large organization toward specific long-term outcomes: an explicit mechanism to gather input, a periodic "horizon scan" for risks and opportunities, a process to develop and adopt a formal comprehensive strategy, the articulation of specific policies in service of that strategy, and the coordination of implementation while monitoring progress.

The economic policymaking apparatus of the United States, in contrast, lacks equivalent formal processes for conducting comprehensive, long-term strategic planning and policy development. To be sure, the executive branch does produce both legally mandated and ad hoc strategies around objectives that are core to competitiveness, good jobs, and growth. The current administration, for example, has released strategies for innovation, manufacturing, and exports. But there is no single comprehensive and long-term effort focused on the nation's economic competitiveness. To complicate matters, multiple agencies with competing objectives, demands, and constituencies are involved in implementing the president's strategies.

As the White House and Congress struggle to find common ground on short-term economic issues like reducing unemployment, policymakers should simultaneously consider two urgent and related questions:

- Can the executive branch's policymaking process be better organized to produce a coherent and coordinated long-term strategy for broadly shared prosperity—one whose general contours will be widely supported and can transcend inevitable disagreement over details?
- Does the importance of advancing such a strategy suggest a need to reorganize executive branch agencies now or in the future?

We believe the answer to both questions is yes. After consulting with current and former economic policymaking officials, and those who seek to influence that process, we conclude that the present structure of the federal government's economic policy apparatus is not conducive to the formulation of the cohesive long-term blueprint this country clearly needs. We need new procedures and structures. We also conclude the government could more effectively implement such a strategy if relevant agencies were reorganized—although the ideal timing and structure of a reorganization requires more study.

Failure to address these organizational shortcomings limits our ability to contend with long-term economic competitiveness risks. And the stakes are getting higher. After decades of global economic dominance, the United States is losing ground to other nations in productivity, scientific literacy, workforce development, technology funding, infrastructure investment, and attractiveness to investment capital.

This report does not attempt to prescribe policy solutions to the complex set of interconnected economic challenges the country faces. Policymakers have a broad menu of policy tools, among them: repairing a crumbling infrastructure and build-

ing the networks of a high-tech, low-carbon economy; providing incentives and support for research and development; raising educational standards for K-12, higher education, and workforce training; encouraging private capital investment; containing the growth in health care costs; and shrinking the budget deficit. Prioritizing these tools and working out the details is outside the purview of this paper.

Likewise, this report does not traffic at length in evergreen debates about the appropriate role of government in advancing competitiveness. When addressing competitiveness, are policymakers “picking winners” or leveling the global playing field and addressing market failures? Any competitiveness strategy will embody implicit choices about these important questions. While we believe that government can play a more activist role in creating the conditions for American competitiveness without losing the benefits of market discipline, we only argue here that a more formal and explicit economic strategy is desirable regardless of one’s views on these questions.

This report focuses on the need to develop a coherent strategy, adopt policies in its service, and implement them with an eye to ensuring American competitiveness. To this end, it recommends a new long-term strategic planning process. We also recommend taking steps toward the reorganization of federal agencies to support an enhanced focus on competitiveness, and creating a single U.S. statistical agency, at least for economic data.

Specifically, to develop and effectively implement an ever-evolving and long-term U.S. competitiveness strategy, President Barack Obama should issue an executive order that creates:

- A **Quadrennial Competitiveness Assessment** by an independent panel of the National Academies whose objectives are to collect input and information from many sources and perform a horizon scan that identifies long-term competitiveness challenges and opportunities
- A **Biannual Presidential Competitiveness Strategy** that lays out the president’s competitiveness agenda and policy priorities, and captures the attention and buy-in of cabinet principals
- An **Interagency Competitiveness Task Force** led by a new deputy at the National Economic Council that develops the biannual strategy, oversees White House coordination of competitiveness initiatives, and monitors their implementation by agencies

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- A **Presidential Competitiveness Advisory Panel** of business and labor leaders, academics, and other experts who assist the administration in developing policy details

To address the fragmented responsibility for key competitiveness functions, the president should also ask the National Academies panel to study the needs of interested parties and evaluate an executive branch reorganization plan that could include:

- Creating a Department of Business, Trade, and Technology by combining relevant agencies within the Department of Commerce with trade and business-focused agencies and offices, including the Office of the United States Trade Representative, the Small Business Administration, the Export-Import Bank of the United States, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency. Separate evaluations would determine where to put existing Commerce “administrations” not closely aligned with the new department’s mission. Specifically, these evaluations should assess:
  - Whether the National Oceanic and Atmospheric Administration is a better fit in the Interior Department, whose mission includes protecting America’s natural resources and heritage. NOAA distributes environmental information, manages coastal and marine environments, and conducts applied scientific research on ecosystems, weather, climate, and water.
  - Whether the Economics and Statistics Administration (including the Bureau of Economic Analysis and the U.S. Census Bureau) should be moved along with other federal statistical agencies to a new crosscutting U.S. Statistical Agency. Another option is to create two separate statistical agencies—one for demographic, economic, and business information, and another for environmental information, leaving other unrelated statistical functions where they are. As these options are being evaluated, we recommend the president issue an executive order that directs the design and implementation of a “virtual” U.S. Statistical Agency. (See box on page 28)
- Creating a more expansive “competitiveness agency” by adding to the new department described above job training and higher education programs from the labor and education departments

- Creating an even more comprehensive competitiveness agency by also including programs that promote science for economic development purposes, such as those in the departments of energy, transportation, and housing, and some science coordination functions from the White House Office of Science and Technology Policy

Organizational change is difficult and requires consensus-building across government and beyond. A National Academies competitiveness assessment panel report, developed after significant study and input, could spur the process of building consensus around one of these options.

The lack of a long-term planning capacity, and therefore lack of a long-term strategy, for American competitiveness is not an academic concern. It has significant implications for the ability of the U.S. government to respond to emerging challenges and to focus and organize interagency policymaking around a set of long-term goals. At a time of low public confidence in the economy, the government should offer a vision of how it can boost our children's chances of enjoying—and surpassing—our current standard of living.



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