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Competition – No 1/2

Competition theory false – US shifts to help other nations

Konstantin Kakaes , Schwartz fellow at the New America Foundation. Follow him on Twitter, No One Can Win the Future, Jan 9, 2012, <http://www.slate.com/articles/technology/future_tense/2012/01/u_s_scientists_are_not_competing_with_china_or_any_other_country_.html>

On the surface, there is a sort of international competition over jobs. Commerce Department data show that U.S.-based multinationals cut 2.9 million domestic jobs during the first decade of the century and added 2.4 million jobs abroad. But look more closely, as in a November report from the Commerce Department, and you’ll see that of those new jobs abroad, only 8.9 percent involved sales to U.S customers—the overwhelming number of new jobs abroad were related to economic growth abroad. It looks like jobs “moved” from the U.S. to other countries, since the numbers are about the same size.

But the truth is that jobs were lost in the U.S. for many reasons: technological change, [corporate consolidation](http://www.washingtonmonthly.com/features/2010/1003.lynn-longman.html" \t "_blank), and a sluggish economy. The jobs that were created abroad are, by and large, different jobs than the jobs lost in the United States. As Paul Krugman wrote in an essay for Foreign Affairs in 1994, “it is simply not the case that the world's leading nations are to any important degree in economic competition with each other, or that any of their major economic problems can be attributed to failures to compete on world markets.” It’s easy to blame today’s bleak economic outlook on a failure to compete. But doing so is just finding a scapegoat for domestic shortcomings.

Competition – No 2/2

No Competition – all types of technology works together between nations

Konstantin Kakaes , Schwartz fellow at the New America Foundation. Follow him on Twitter, No One Can Win the Future, Jan 9, 2012, <http://www.slate.com/articles/technology/future_tense/2012/01/u_s_scientists_are_not_competing_with_china_or_any_other_country_.html>

The competition rhetoric is almost always linked with calls for increased investment in research. But as Argentino Pessoa of the University of Porto, among others, has pointed out, there is a slight negative correlation between R&D intensity and GDP growth—in other words, spending more on research doesn’t necessarily make you richer. Amar Bhide, in his book The Venturesome Economy, cites the example of Norway, which isn’t even in the top 20 countries ranked by share of scientific papers published, but has the highest labor productivity in the world.

Knowledge—of which technology is a kind—gets shared widely. A Dec. 7 New York Times article called “China Scrambles for High Tech Dominance” gets it exactly wrong. “If the future of the Internet is already in China, is the future of computing there as well?” The future of the Internet isn’t in China any more than the present of the Internet is in the U.S. Technonationalists (as Bhide calls the competitiveness caucus) like to trumpet the fact that Google is an American company. But the benefits of quartering Google’s corporate headquarters are dwarfed by the benefits of using Google (and its peers, like Baidu, a Chinese search engine) and other revolutionary technologies. And those benefits get spread widely. The Internet, for example, was invented in the United States—but that does not mean we get the most benefit from it.

Indisputably, more scientific research is going on in China today than 30 years ago. But let’s do a simple thought experiment. Imagine that someone in a lab in China cured cancer tomorrow. Technology spreads quickly—that cancer cure would be applied in the United States (and throughout the world) with tremendous benefit for human welfare. In no way would we be worse off. Sure, a Chinese pharmaceutical company would make money. But so would the pharmacist who sold the drug in the United States and the doctor who prescribed it. American researchers would build on the Chinese discovery. American workers would be more productive, and American families would have their sarcoma-ridden loved ones futures restored to them. The money made by the notional Chinese pharmaceutical firm is inconsequential compared with the worldwide effect of the miracle cure.

Let’s consider the example of penicillin, discovered in England by Alexander Fleming. Louis Pasteur did important preliminary work in France. It was in the United States that industrial production (and therefore the ability to benefit large numbers of people) was made possible. Sure, “the Internet” was invented in the United States, but the World Wide Web (click here for the difference) was invented 20 years ago in Switzerland by an Englishman. The computer I’m working on was made in China. Which country gets the credit when I go to Slate.com?

Companies do compete with one another over particular implementations of technologies. But if a Japanese company sells an American an awesome photocopier, both are better off. The Gathering Storm report claims “even weeks can matter in the race to be first; hence the job-creating value of research is highly perishable.” This is hokum. Tons of things matter when it comes to who sells more photocopiers, or cameras, or assembly-line robots, or music players. In the next sentence, the report gives the example of the iPod—a phenomenally successful consumer product, which came to market years after the first MP3 players, undermining the very point the authors were trying to make. The competition between Apple and other manufacturers of MP3 players has nothing to do with which country’s researchers find the basic principles behind digitally encoding music.

US Competitiveness – Yes

US competition high now – weak dollar distorts results

Baily and Slaughter 08 (Martin N. Baily served as chairman of the Council of Economic Advisers during the second Clinton

administration, Senior Fellow at the Peterson Institute for International Economics, Principal at McKinsey & Company’s Global Institute and Professor of Economics at the University

of Maryland, Vice Chairman of National Academy of Sciences/National Research

Council. Ph.D. from the Massachusetts Institute of Technology and Matthew J. Slaughter Associate Dean of the MBA Program and Professor of International Economics

at the Tuck School of Business at Dartmouth Senior Fellow at the Council on Foreign Relations; an academic advisor

to the McKinsey Global Institute; and a member of the academic advisory board of the International Tax

Policy Forum Ph.D. from the Massachusetts Institute of Technology., Strengthening U.S. Competitiveness in the Global Economy

December 2008) <http://www.pegcc.org/wordpress/wp-content/uploads/pec_wp_strengthening_120908a.pdf>

Many Americans have come to believe that the U.S. economy is no longer able to compete internationally

and that we are the victims of unfair trade competition. In fact, the U.S. is a highly productive

economy1 that became uncompetitive because the dollar moved too high. As we show in

the next section, on the right terms, U.S.-based companies can compete internationally, indeed the

decline of the dollar since 2002 has created the opportunity to expand exports and close the trade

deficit; indeed, this is already happening. Policymakers should reduce barriers to trade and investment

to help expand global markets.

• One of the great U.S. policy successes of the past 35 years has been the bipartisan effort to eliminate

regulations that stifle competition and innovation. Productive U.S. companies can expand

throughout the nation and force their competitors to adapt. Leading companies from around the

world sell in the U.S. market and invest in U.S. factories and offices, ensuring that the U.S. economy

is exposed to and strives to meet global best practices. All this dynamism has yielded higher

productivity growth and greater choices for consumers. This is not to say that policy should aim to

eliminate all regulation, because it plays a legitimate and vital role in areas like consumer protection

and worker safety — as well as in the financial system — as a tool for regulating against systemic

risk. Indiscriminate elimination of any and all regulation is unwise. The need is for sounder

regulation. Continued regulatory reform is very much needed in many areas, but we should not return

to the days where policymakers micro-manage industries.

US has economic competitiveness now

Yetiv ‘9 {professor of political science at Old Dominion University in Norfolk, Va [Steve, “Reports of America's decline are greatly exaggerated”, March 12, 2009}

Hardly a day goes by that I don't hear someone say so. Even [President Obama](http://www.csmonitor.com/tags/topic/Barack+Obama) captured this anxiety in his inaugural speech, pointing to a "nagging fear" that America's "decline is inevitable."

Of course, America's problems – from banking and debt crises to foreign security threats – are very serious. But, as bad as things are, here are six reasons why America's starring role on the world stage isn't over.

1.The [United States](http://www.csmonitor.com/tags/topic/United+States) still has the most competitive economy in the world. Despite the recession, the US still has the greatest potential for cutting-edge economic growth. It ranks atop the [World Economic Forum](http://www.csmonitor.com/tags/topic/World+Economic+Forum)'s latest global competitiveness study. And its companies remain the best.

US Competitiveness – No 1/2

Financial crisis killed US Competitiveness

Washington Post 10{ <http://www.washingtonpost.com/wp-dyn/content/article/2010/09/08/AR2010090807266.html> ; Debt financial Crisis hurt U.S. competitiveness ; Howard Schneider:Washington post staff writer ; September 9,2010}

Large deficits and a weakened financial system have made the United States less competitive in the global economy, the World Economic Forum said in [its annual review](http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm) of the competitiveness of countries. The United States slipped from second to fourth in the survey, behind Switzerland, Sweden and Singapore. It had fallen from first place the year before. The study includes statistical measures as well as a survey of business owners to compare countries. In the United States, the entrepreneurs cited access to credit and government regulation among their chief concerns.

But it was government debt and the country's overall economic outlook that pushed the United States down in the rankings,said Irene Mia, senior economist at the forum, a Geneva-based think tank that sponsors the annual gathering of world leaders in Davos, Switzerland.

America is losing competitiveness

Harvard Business Review 12

Nitin Nohria, writer for the Harvard Business Review “Why U.S. Competitiveness Matters to All of Us” http://hbr.org/2012/03/why-us-competitiveness-matters-to-all-of-us/ar/1 March 2012

Management educators talk frequently about best practices and use case studies to illustrate by example. For more than a century global observers have considered the U.S. economy to be an exemplar and America a country to envy and imitate. Unfortunately, that’s no longer the case. Increasingly, outsiders view our political system as riven by politicians preoccupied with their own reelection, resulting in a tragic stalemate. Long before Occupy Wall Street pitched its tents, many foreigners found America’s growing economic inequality worrisome. They see that U.S. corporations are skittish about making investments in a time of uncertainty about government policy, taxes, and regulations. They hear too many American CEOs talk about choosing to postpone decisions until after the next election, when things will be clearer—a profoundly disturbing attitude. U.S. prosperity and social mobility have attracted millions of immigrants, including me. But America’s reign as the global ideal seems to be waning.

America is losing competitiveness

Schneider 10

Howard Schneider, Washington Post Staff Writer “Debt, financial crisis hurt U.S. competitiveness” http://www.washingtonpost.com/wp-dyn/content/article/2010/09/08/AR2010090807266.html September 9, 2010

Large deficits and a weakened financial system have made the United States less competitive in the global economy, the World Economic Forum said in its annual review of the competitiveness of countries. The United States slipped from second to fourth in the survey, behind Switzerland, Sweden and Singapore. It had fallen from first place the year before.

The study includes statistical measures as well as a survey of business owners to compare countries. In the United States, the entrepreneurs cited access to credit and government regulation among their chief concerns. But it was government debt and the country's overall economic outlook that pushed the United States down in the rankings, said Irene Mia, senior economist at the forum, a Geneva-based think tank that sponsors the annual gathering of world leaders in Davos, Switzerland. "The U.S. has very important strengths, but macroeconomic stability was a problem beforehand and the crisis exacerbated it," Mia said. Government debt affects a country's competitiveness by limiting its ability to respond to crises or make infrastructure and other investments that could boost future productivity. It may also lead to higher interest rates. Along with broad statistics about each of the 139 countries included, the survey examined areas such as the strength of institutions and laws, the quality of infrastructure, public health and education, and levels of technology and innovation. The United States, for example, scored high on items related to the efficiency of labor markets, innovation and higher education. But it received mediocre scores on how some of its institutions function, ranking 55th in the strength of corporate reporting requirements, 84th in the cost to business of crime and violence, and 125th in the business costs of terrorism.

US Competitiveness – No 2/2

**The U.S. is has lost competitiveness and needs to restore it before it is too late**

Harvard Business Review 12

Michael E. Porter and Jan W. Rivkin of the Harvard Business Review “The Looming Challenge to US Competitiveness” http://www.wedc.wa.gov/Download%20files/HBR\_LoomingCompetiveness.pdf March 2012

The United States is a competitive location to the extent that companies operating in the U.S. are able to compete successfully in the global economy while supporting high and rising living standards for the average American. By this standard, U.S. competitiveness is in grave danger. The erosion of U.S. competitiveness began well before the Great Recession. The U.S. faces competition from a widening range of nations with lower wages and improving economic strategies. But a short-term focus in many businesses and political gridlock have prevented the U.S. from taking the steps needed to meet the challenge. The U.S. retains core strengths in areas such as entrepreneurship and higher education. However, these are increasingly nullified by weaknesses in the tax code, fiscal policy, K–12 education, and other areas. To address its challenges, America needs a strategy and a consensus on direction. Government will play a crucial role, but business must lead the way. The American economy is clearly struggling to recover from a recession of unusual depth and duration, as we are reminded nearly every day. But the United States also faces a less visible but more fundamental challenge: a series of underlying structural changes that could permanently impair America’s ability to maintain, much less raise, the living standards of its citizens. If government and business leaders react only to the downturn and fail to confront America’s deeper challenge, they will revive an economy with weak long-term prospects. During the past year, we have examined U.S. competitiveness with the help of a diverse group of scholars, business leaders from around the world, and the first-ever comprehensive survey of Harvard Business School alumni. Our research suggests that the U.S. faces serious challenges. Too often, America’s leaders, in government and business, have acted in ways that neutralize the country’s many strengths. However, the decline of U.S. competitiveness is far from inevitable. The United States remains the world’s most productive large economy and its largest market for sophisticated goods and services, which stimulates innovation and acts as a magnet for investment. To restore its competitiveness, America needs a long-term strategy. This will require numerous policy changes by government, which may seem unlikely with Washington gridlocked. However, many of the crucial steps can and must be carried out by states and regions, where many of the key drivers of competitiveness reside. More important, business leaders can and must play a far more proactive role in transforming competition and investing in local communities rather than being passive victims of public policy or hostages of misguided shareholders.

US Econ – No 1/2

Econ weak now

Snyder 11(Michael Snyder is the founder and editor of The Economic Collapse November 5, 2011, U.S. Economy: $15 Trillion In Debt, 45 Million on Food Stamps, Zero Solutions In Sight) <http://www.econmatters.com/2011/11/us-economy-15-trillion-in-debt-45.html>

How does a country end up 15 trillion dollars in debt? 30 years ago, we were just a little over a trillion dollars in debt. How in the world do supposedly rational people living in "the greatest nation on earth" allow themselves to commit national financial suicide by allowing government debt to explode like that? It almost seems like there should be some sort of official ceremony in Washington D.C. to commemorate this achievement. It really takes something special to be able to roll up 15 trillion dollars of debt. To get to this level, we really had to indulge in some wild spending.

For example, did you know that the U.S. national debt grows by more than 2 million dollars every single minute? All of this debt has fueled an unprecedented boom of prosperity for the last 30 years, but now that prosperity is drying up. Today, there are over 45 million Americans that are on food stamps. America is being deindustrialized at a blinding pace and there are not nearly enough jobs for everyone. Poverty is exploding all over the nation, and millions of families have lost their homes to foreclosure. Unfortunately, there are zero solutions on the horizon. The leaders of both major political parties seem even more clueless right now than in past years. We really could use some hope, but hope is in very short supply.

When evaluating the health of America's economy, it is important not to look at the short-term numbers. Rather, the key is to look at the long-term trends and the balance sheet numbers.

For example, if a mother and a father gave their teenage kids a bunch of credit cards and told them to go out and buy whatever they wanted, that would create a lot of "economic activity", but it would also send that family to the poorhouse really quickly.

Well, we have basically done the same thing as a nation. We are drowning in debt, and all of this debt is going to destroy us financially. Unfortunately, the federal government continues to spend money as if there was no tomorrow. Right now, spending by the federal government accounts for about 24 percent of GDP. Back in 2001, it accounted for just 18 percent.

When you are running up a credit card, it can be a lot of fun and it can seem like there aren't any consequences.

But when it comes to debt, there are always consequences. The following is what former Republican Senator Alan Simpson (of the Simpson-Bowles Commission) recently had to say about the horrific debt crisis we are currently facing....

"It's very simple. If you spend more than you earn, you lose your butt"

US Econ – No 2/2

Military and Social Spending high now – killing economy

Snyder 11(Michael Snyder is the founder and editor of The Economic Collapse November 5, 2011, U.S. Economy: $15 Trillion In Debt, 45 Million on Food Stamps, Zero Solutions In Sight) <http://www.econmatters.com/2011/11/us-economy-15-trillion-in-debt-45.html>

In the United States, we love to have the government spend money on all sorts of things, but we never want to pay for it.

So the debt just keeps piling up higher and higher.

A lot of Republicans say that spending on social programs has gotten out of control. A lot of Democrats say that spending on the military has gotten out of control.

They are both right. As I have written about previously, the U.S. military accounts for close to half of all the military spending in the world. In fact, U.S. military spending is greater than the military spending of the next 15 countries combined.

Yes, we will always need a very powerful military, but we can have one without going broke in the process.

But an even larger problem is our rampant spending on social programs.

The following comes from a recent article by Janet Tavakoli....

In 1950 spending for social programs was only one percent of the total Federal Budget. As the economy grew, social programs expanded to include Social Security, Medicare, Medicaid, Food Stamps, Unemployment Compensation, Supplemental Security for the Disabled, and educational programs. In 1983 as the United States pulled out of an ugly recession and brought inflation under control, social programs consumed 26% of the budget. In fiscal year 2012, they’ll eat up an estimated 57% of the budget. Tens of millions of Americans have become absolutely addicted to government money. Nobody ever wants "their government benefits" to be cut, but nobody ever seems to want to have their taxes raised to pay for them.

To get a really good idea of how government transfer payments have absolutely skyrocketed over the years, just check out this chart.

Obviously, the course that we are on is not anywhere close to sustainable.

To say that the "war on poverty" was a failure would be a huge understatement. The more money we seem to spend on social programs, the more that poverty seems to grow.

Right now, there are over 45 million Americans on food stamps. The economy is supposed to be "recovering", but the number of Americans on food stamps has grown by over 8 percent in just the past year.

Food stamps are the modern equivalent of the old-fashioned bread lines. The federal government is now feeding an almost unbelievable number of Americans.

According to the Wall Street Journal, nearly 15 percent of all Americans are now on food stamps. That means that approximately one out of every seven Americans is dependent on the federal government for food. That is not just a crisis - that is a total nightmare. So what can be done?

Well, we certainly shouldn't let our people starve in the streets.

But handouts should only be a temporary solution.

What these people really need are good jobs. Unfortunately, our "leaders" have created a business environment in this country that is incredibly toxic, and they have stood by as millions upon millions of good jobs have been shipped out of the country. That is one of the reasons why I write about the insane trade policies of the globalists over and over and over.

The American people need to understand that globalization is going to mean a continuing loss of jobs for this country and it is going to result in the destruction of the middle class.

If we are not going to provide good jobs for American workers, then we are going to have to pay higher taxes in order to feed them and take care of them.

Can’t Measure Competitiveness

Competitiveness ranking are inaccurate and only spur bad policy making

Berger & Bristow ‘9 – School of City and Regional Planning, Cardiff University   
[Thomas, lecturer at the FOM Fachhochschule fuer Oekonomie und Management in Stuttgart, Germany & Gillian, “Competitiveness and the Benchmarking of Nations—A Critical Reflection”, Sept 9, Springerlink]

In conclusion, our analyses indicate firstly, that national competitiveness indices lack

commonality in the approach they take to index construction, i.e. weighting and

aggregation. This is perhaps not surprising given the absence of a coherent

competitiveness framework capable of providing appropriate guidance on the

selection of appropriate variables, their relative weights and their inter-relationships.

As a consequence, index crafters rely very heavily on expert judgment and ad hoc

empirical analysis.

Secondly, national competitiveness indices perform poorly as a policy-making

tool in terms of their ability to predict and rank national economic performance,

with the observed correlations between GDP per capita growth and ranking

results being very weak. This reflects a series of observed methodological and

quantitative weaknesses which lie at the heart of these indices. Even if observed

correlations were strong, there is still the fundamental problem of measurement

without theory as there is no sound concept of national competitiveness to

provide causal explanations.

The value of such indices is therefore questionable beyond their purpose in

reminding us of the continued success of particular nations and the continued

paucity of others and tl1us encouraging policy-makers to indulge in place

promotion (Greene et al. 2007). They do not provide an effective diagnostic tool

for policy-makers seeking to understand how to improve their economic

performance through appropriate remedial action. Neither do composite rankings

illuminate the scale of deficiencies in key indicators relative to comparators. Rather

their value can be construed as being of more symbolic than tangible importance.

They do help business decision-makers to gain an overview on a country’s

characteristics and help position and market nations. In advertisements to attract

investments, the Invest in Austria agency e.g. promoted the high motivation of

Austrian workers by pointing to the third place in the WCY for the respective

indicator. Therefore they help elucidate a kind of revealed competitiveness or a

perceived level of performance on an agreed set of proxy indicators, and this

ultimately appears to matter more for industrial development agencies and business

investors than for economists.

Economists inaccurately measure competition

Berger & Bristow ‘9 {[Thomas, lecturer at the FOM Fachhochschule fuer Oekonomie und Management in Stuttgart, Germany & Gillian, “Competitiveness and the Benchmarking of Nations—A Critical Reflection”, Sept 9, Springerlink] School of City and Regional Planning, Cardiff University }

The debate over national competitiveness is marked by some basic misperceptions. With few exceptions, those who use the term have a crude, essentially mercantilist view of world trade, in which competition among nations is just like competition between corporations**.** Not only dothe authors and readers of reports on national competitiveness usually not understand comparative advantage**,** they are unaware of the most basic adding-up constraints. Economists, however, find it hard to believe that seemingly well-informed people can really be this naive, and assume that there must be more sophisticated ideas lying behind what they say. The rationales offered by economists, in turn, offer false comfort to the would-be sophisticates who like the term "competitiveness"; they believe that they have transcended conventional economic theory, when the fact is that they have failed to comprehend it. In short, the actual level of discussion is lower than any of the participants imagines.

\*\*Solvency

Infrastructure Solves Competitiveness 1/2

Infrastructure is key to economic competitiveness - exports

Puentes 11{http://www.cfr.org/united-states/infrastructure-investment-us-competitiveness/p24585 ; Infrastructure investment and US competitiveness ;Robert Puentes:senior fellow brookings institute; April 5, 2011}

Infrastructure is central to U.S. prosperity and global competitiveness. It matters because state-of-the-art transportation**,** telecommunications, and energy networks--the connective tissue of the nation--are critical to moving goods, ideas, and workers quickly and efficiently and providing a safe, secure, and competitive climate for business operations. But for too long, the nation's infrastructure policies have been kept separate and apart from the larger conversation about the U.S. economy. The benefits of infrastructure are frequently framed around short-term goals about job creation.While the focus on employment growth is certainly understandable, it is not the best way to target and deploy infrastructure dollars. And it means so-called "shovel ready projects" are all we can do while long-term investments in the smart grid, high-speed rail, and modern ports are stuck at the starting gate. We often fail to make infrastructure investments in an economy-enhancing way. This is why the proposal for a national infrastructure bank is so important.So in addition to the focus on job growth in the short term, we need to rebalance the American economy for the long term on several key elements: higher exports, to take advantage of rising global demand; low-carbon technology, to lead the clean-energy revolution; innovation, to spur growth through ideas and their deployment; and greater opportunity, to reverse the troubling, decades-long rise in inequality. Infrastructure is fundamental to each of those elements.

Infrastructure is key to economic competitiveness and prosperity – foundation of economy

Slaughter 11(MATTHEW J. SLAUGHTER is the Associate Dean for the MBA Program and the Signal Companies' Professor of Management at the Tuck School of

Business at Dartmouth. He is also currently a Research Associate at the National Bureau of Economic Research; a Senior Fellow at the Council on Foreign

Relations; a member of the academic advisory board of the International Tax Policy Forum; an academic advisor to the Deloitte Center on Cross-Border

Investment; and a member of the U.S. State Department's Advisory Committee on International Economic Policy. BUILDING

COMPETITIVENESS, Spring 11) http://www.ofii.org/docs/OFII\_Infrastructure\_Paper.pdf

HISTORICALLY, ONE OF THE KEY FOUNDATIONS OF AMERICA’S COMPETITIVE

SUCCESS HAS BEEN INFRASTRUCTURE. U.S. airports, bridges,

electrical grid, ports, railroads, roads, and water systems

have long facilitated the flow of people, goods, and ideas

that has built American jobs and rising standards of living.

A large body of research has documented the many economic

benefits America has derived from building and

maintaining its infrastructure. A recent report from the

U.S. Treasury and Council of Economic Advisers summarized

the evidence as follows.

Many studies have found evidence of large private sector

productivity gains from public infrastructure

investments, in many cases with higher returns than

private capital investment. Research has shown that

well designed infrastructure investments can raise

economic growth, productivity, and land values, while

also providing significant positive spillovers to areas

such as economic development, energy efficiency, public

health, and manufacturing.2

Today there is much uncertainty about the global competition

facing American workers. Can America re-create a

dynamic environment creating millions of high-productivity,

high-wage jobs? It can. But achieving this critical goal

will require an expansive vision in terms of both companies

and policies.

In terms of companies, America today has nearly 30 million

businesses, ranging from millions of sole proprietorships

to the largest multinational companies. Restoring

American competitiveness will require job creation by all

companies operating in America: large and small, young

and old, U.S.-based and foreign-based. America’s global

competitiveness cannot be re-established through the success

of just one kind of company. In particular, as this

report discusses, some of the most dynamic companies in

America with a clear interest in maintaining U.S. competitiveness

have long been insourcing companies, i.e., the U.S.

subsidiaries of global companies.

In terms of policies, today’s global jobs competition

reflects the breadth of policy improvements that dozens of

countries continue to make. To meet this challenge,

America needs to fix many problems: to boost its highschool

and college graduation rates that have stagnated for

decades; to overhaul its corporate tax code that is now one

of the world’s most burdensome and complex; to address

its looming fiscal challenges that threaten future growth.

And one of the most urgent policy problems to be fixed

is repairing America’s decaying infrastructure.

Infrastructure Solves Competitiveness 2/2

Infrastructure is key to economic competitiveness – other nations are beating us

Rendell and Ortis 11(Ed Rendell is a former governor of Pennsylvania. Frank Ortis is mayor of Pembroke Pines. Infrastructure investment boosts U.S. economy, competitiveness August 19, 2011) [http://articles.sun-sentinel.com/2011-08-19/news/fl-infrastructure-us-competitiveness-20110819\_1\_infrastructure-ports-economy#](http://articles.sun-sentinel.com/2011-08-19/news/fl-infrastructure-us-competitiveness-20110819_1_infrastructure-ports-economy)

The story is much the same around the rest of the country: We are living off of investments made several generations ago, and we have not reinvested in the systems needed to ensure that future generations can compete in a global market. This short-sightedness is wasting taxpayer money and time and slowing down the efficient movement of goods around the nation. For example, congestion is so bad in Chicago rail yards that it takes a freight train longer to get across the city than it does to get from Chicago to Los Angeles.

Building America's Future Educational Fund, a national and bipartisan coalition of state and local elected officials, of which we are members, recently released "Falling Apart and Falling Behind." The report lays out the economic challenges posed by our nation's ailing infrastructure, provides a comparative look at the smart investments being made by our international competitors, and suggests a series of recommendations for crafting new, innovative transportation policies.

Our global economic competitors get it. At a time when budgets around the world are being slashed, our competitors are wisely continuing to make robust, cutting-edge transportation infrastructure investments. And those decisions are reaping a variety of benefits for their citizens and economies.

Since 2000, China has invested $3.3 trillion in infrastructure projects. They now have six of the world's top 10 ports, while the United States has none. Shanghai's port now moves more container traffic a year than the top seven U.S. ports combined. The European Union invested over $578 billion to create a single, multi-modal network to integrate land, water and air transport networks throughout the EU. And Brazil is developing a $19.7 billion, 223-mph high-speed rail line between Sao Paulo and Rio de Janeiro, which is expected to be running by 2014.

Economists, academics and, indeed, many of our global competitors, all seem to agree: Infrastructure is an investment in our country's future that will create jobs and economic prosperity. What seems to be missing in the United States is the political will from the federal government.

Instead of educating constituents on the economic and job-creating benefits of infrastructure investment, some members of Congress offer a knee-jerk reaction to any new spending. What they fail to understand is that to get our nation's economy back on track, we must develop a new, long-term vision for making the type of strategic investments that are based on economics — not politics.

Infrastructure is key to trade

Adise 11 (Russell Adise is an international trade specialist in the International Trade Administration’s Manufacturing and Services unit, Meeting the Challenge of Supply Chain Infrastructure Competitiveness, December 7, 2011) <http://blog.trade.gov/2011/12/07/meeting-the-challenge-of-supply-chain-infrastructure-competitiveness/>

An important step in assuring the integrity of U.S. supply chain infrastructure was taken on November 3, 2011, when Secretary of Commerce John Bryson and Francisco Sánchez, under secretary of commerce for international trade, announced the establishment of the Advisory Committee on Supply Chain Competitiveness. Through this committee, the secretary of commerce will receive guidance and input from supply-chain firms and associations, stakeholders, community organizations, and others directly affected by the supply chain, as well as experts from academia, from throughout the United States on the development and administration of programs and policies to expand U.S. export growth and foster the competitiveness of U.S. supply chains in the domestic and global economy.

**Crucial Link in Trade**

U.S. supply chains are a crucial link between the country’s exporters and the global economy. Every export, and every export-related job, is dependent on the operations and processes that comprise the nation’s supply chains, from material sourcing, to product manufacturing, to consumer delivery. U.S. export competitiveness depends on the smooth, seamless, and rapid movement of goods through the supply chains from beginning to end. Any chokepoint can result in missed exports, lost sales, higher costs, and lost jobs.

The declining state of U.S. infrastructure has become an increasing challenge to exporters. Systemic, long-term infrastructure deficiencies have a dramatic, negative impact on the speed and predictability of the movements of goods around the country. Shippers blame this situation on the lack of a comprehensive national freight infrastructure development and investment policy. They also assert that the United States is not improving its infrastructure fast enough to keep pace with the export demands of 21st century supply chains.

Can’t Solve Competitiveness

No one policy can solve for competitiveness

Porter ‘5 [Michael, “What Is Competitiveness?”, January-April, http://insight.iese.edu/doc.aspx?id=00438&ar=7&idioma=2]

Competitiveness is defined by the productivity with which a nation utilizes its human, capital and natural resources. To understand competitiveness, the starting point must be a nation's underlying sources of prosperity. A country's standard of living is determined by the productivity of its economy, which is measured by the value of goods and services produced per unit of its resources. Productivity depends both o­n the value of a nation's products and services - measured by the prices they can command in open markets - and by the efficiency with which they can be produced. Productivity is also dependent o­n the ability of an economy to mobilize its available human resources.

True competitiveness, then, is measured by productivity. Productivity allows a nation to support high wages, attractive returns to capital, a strong currency - and with them, a high standard of living. What matters most is not exports per se or whether firms are domestic or foreign-owned, but the nature and productivity of the business activities taking place in a particular country. Purely local industries also count for competitiveness, because their productivity not o­nly sets their wages but also has a major influence o­n the cost of doing business and the cost of living in the country.

What Matters for Competitiveness

Almost everything matters for competitiveness. The schools matter, the roads matter, the financial markets matter and customer sophistication matters. These and other aspects of a nation's circumstances are deeply rooted in a nation's institutions, people and culture. This makes improving competitiveness a special challenge, because there is no single policy or grand step that can create competitiveness, o­nly many improvements in individual areas that inevitably take time to accomplish. Improving competitiveness is a marathon, not a sprint. How to sustain momentum in improving competitiveness over time is among the greatest challenges facing countries.

Can’t Solve Worker Productivity

Domestic policies do not affect competition

Krugman 94 (Paul Krugman, Professor of Economics at the Massachusetts Institute of Technology, Competitiveness: A Dangerous Obsession, 1994) (39-41)

Second, the idea that U.S. economic difficulties hinge crucially on

our failures in international competition somewhat paradoxically

makes those difficulties seem easier to solve. The productivity of the

average American worker is determined by a complex array of factors,

**most of them unreachable by any likely government policy**. So if you

accept the reality that our “competitive” problem is really a domestic

productivity problem pure and simple, you are unlikely to be optimistic about any dramatic turnaround. But if you can convince your--

self that the problem is really one of failures in international compe

tition-—that imports are pushing workers out of high—wage jobs, or

subsidized foreign competition is driving the United States out of the

high value—added sectors-—then. the answers to economic malaise may

seem to you to involve simple things like subsidizing high technology and being tough on Japan.

Alt Cause - Innovation

The decline of U.S. competitiveness is due to lack of innovation

Hill et. al. 89

Charles W.I. Hill et. al. Professor at Michigan State Univeristy Abstract for “Declining U.S. competitiveness: Reflections on a crisis” http://www.jstor.org/discover/10.2307/4164795?uid=3739800&uid=2&uid=4&uid=3739256&sid=56280458773 1989

There is convincing evidence that the cause of declining competitiveness among United States firms is a slump in innovative activity. The authors contend that evolutionary developments in both the nature of the firm and the nature of the capital market have combined to create a business environment characterized by short-term profit maximization and risk avoidance. The result has been less innovative activity. The rise of the diversification movement, along with the subsequent adoption of decentralized multidivisional structures, have created an environment in which short-term profit maximization and risk avoidance thrive. Additionally, the rise of risk averse institutional investors as major stock-holders and increasing incentives for investment bankers to engineer takeover bids have increased the pressures on top management to show good short-term earnings performance. Management has responded by implementing tight financial controls within the firm and pursuing strategies that deemphasize high-risk innovations. The authors review some possible solutions to the problem, including the use of leverage buyouts to reduce management's dependence on the stockmarket, changes in organizational control systems of large firms, and building closer ties between investors and the firms in which they invest.

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Alt Cause – Education 1/2

The U.S. is losing competitiveness due to decline in education.

Baily and Slaughter ‘8­

Martin N. Baily and Matthew J. Slaughter of the Private Equity Council “Strengthening U.S. Competitiveness in the Global Economy” http://www.pegcc.org/wordpress/wp-content/uploads/pec\_wp\_strengthening\_120908a.pdf December 2008

We in the United States do some other things not so well, things that we must start: improving to avoid major drags to competitiveness. Our report addresses three pressing areas needing improvement. 1. Worker Skills. Over the 20th century one of America’s greatest achievements was creating a worldclass education system that drove the skills upgrading of the U.S. labor force. This progress, however, has slowed dramatically in the past generation, all while educational upgrading is quickening abroad. America should immediately implement policies to reverse its educational slowdown. The key margins need to be high school and college graduation rates, through expanded early-education efforts and financial aid. Throughout our history, skills of the U.S. workforce have also expanded through immigration of highly educated workers. Such immigration often helps, not hurts, native workers as companies expand skill-intensive operations here at home. An important policy change should be to eliminate all caps on high-skilled immigration, as a complement to the educational efforts above. At the same time, to support the skills and opportunities of American workers, safety-net policies should be strengthened and expanded to assist workers who have been dislocated by economic change and who have not enjoyed economic gains commensurate with productivity growth.

The U.S. education system is steeply declining.

Barr 11

Bob Barr of The Barr Code“U.S. education continues decline” http://blogs.ajc.com/bob-barr-blog/2011/02/11/u-s-education-continues-decline/ February 11, 2011

America’s education system, once among the world’s best, has fallen on hard times. The latest evidence of this can be found in the 2009 National Assessment of Educational Progress (NAEP), an exam given every few years by the federal Department of Education to fourth, eighth, and 12th graders. The latest results of this test show that only one third of American students exhibited proficiency in science and technology. Only three percent of students are classified as “advanced.” According to the Wall Street Journal, “[t]hirty-four percent of fourth-graders scored at or above proficient. Describing the life cycle of an organism is an example of a skill demonstrated by fourth graders at the proficient level. Thirty percent of eighth graders met the mark, by demonstrating, for example, that they could recognize plants produce their own food.” As students progress in age, it seems their knowledge declines, as only 21 percent of 12th grade students met the criteria sufficient to be considered proficient.

Alt Cause – Education 2/2

Education and immigration reform is key to competitiveness

Gates 07 (Bill Gates, chairman of Microsoft Corp. and co-chairman of the Bill and Melinda Gates Foundation, How to Keep America Competitive, February 25,2007) <http://www.washingtonpost.com/wp-dyn/content/article/2007/02/23/AR2007022301697.html>

This is not to say that the growing economic importance of countries such as China and India is bad. On the contrary, the world benefits as more people acquire the skills needed to foster innovation. But if we are to remain competitive, we need a workforce that consists of the world's brightest minds.

Two steps are critical. First, we must demand strong schools so that young Americans enter the workforce with the math, science and problem-solving skills they need to succeed in the knowledge economy. We must also make it easier for foreign-born scientists and engineers to work for U.S. companies.

Education has always been the gateway to a better life in this country, and our primary and secondary schools were long considered the world's best. But on an international math test in 2003, U.S. high school students ranked 24th out of 29 industrialized nations surveyed.

Our schools can do better. Last year, I visited High Tech High in San Diego; it's an amazing school where educators have augmented traditional teaching methods with a rigorous, project-centered curriculum. Students there know they're expected to go on to college. This combination is working: 100 percent of High Tech High graduates are accepted into college, and 29 percent major in math or science. Contrast that with the national average of 17 percent.

To remain competitive in the global economy, we must build on the success of such schools and commit to an ambitious national agenda for education. Government and businesses can both play a role. Companies must advocate for strong education policies and work with schools to foster interest in science and mathematics and to provide an education that is relevant to the needs of business. Government must work with educators to reform schools and improve educational excellence.

American competitiveness also requires immigration reforms that reflect the importance of highly skilled foreign-born employees. Demand for specialized technical skills has long exceeded the supply of native-born workers with advanced degrees, and scientists and engineers from other countries fill this gap.

This issue has reached a crisis point. Computer science employment is growing by nearly 100,000 jobs annually. But at the same time studies show that there is a dramatic decline in the number of students graduating with computer science degrees.

The United States provides 65,000 temporary H-1B visas each year to make up this shortfall -- not nearly enough to fill open technical positions.

Permanent residency regulations compound this problem. Temporary employees wait five years or longer for a green card. During that time they can't change jobs, which limits their opportunities to contribute to their employer's success and overall economic growth.

Last year, reform on this issue stalled as Congress struggled to address border security and undocumented immigration. As lawmakers grapple with those important issues once again, I urge them to support changes to the H-1B visa program that allow American businesses to hire foreign-born scientists and engineers when they can't find the homegrown talent they need. This program has strong wage protections for U.S. workers: Like other companies, Microsoft pays H-1B and U.S. employees the same high levels -- levels that exceed the government's prevailing wage.

Reforming the green card program to make it easier to retain highly skilled professionals is also necessary. These employees are vital to U.S. competitiveness, and we should welcome their contribution to U.S. economic growth.

We should also encourage foreign students to stay here after they graduate. Half of this country's doctoral candidates in computer science come from abroad. It's not in our national interest to educate them here but send them home when they've completed their studies.

During the past 30 years, U.S. innovation has been the catalyst for the digital information revolution. If the United States is to remain a global economic leader, we must foster an environment that enables a new generation to dream up innovations, regardless of where they were born. Talent in this country is not the problem -- the issue is political will.

A2 Infrastructure Key

Infrastructure fine now, government management is killing competitiveness

Fickett 11 (Jim Fickett Problems for US competitiveness lie in government and banks, not infrastructure 10-31-11 <http://www.clearonmoney.com/dw/doku.php?id=investment:commentary:2011:10:31-problems_for_us_competitiveness_lie_in_government_and_banks_not_infrastructure>

In September the World Economic Forum released the The Global Competitiveness Report 2010-2011. This report ranks 139 countries on overall competitiveness, based on (1) some hard statistics, such as average internet bandwidth and average days to start a new business, and (2) a survey of business executives for matters of opinion, such as fairness of the judiciary or overall quality of the telephone network. The US ranked 4th, down from 2nd the year before.

It is interesting to see that the US ranks 15th worldwide for infrastructure. This is similar to many other advanced economies, for example 13th for Denmark, 14th for Spain, 16th for Taiwan, and 17th for Finland. It is not a big problem if the next stimulus measure is on infrastructure; better infrastructure certainly does not hurt. But that is not where the problems lie.

The low scores that have pulled the US down seem more to lie on the side of institutions, especially banks and the government. For the macroeconomic environment the US ranks 87 out of 139, with the government debt rank 122 and the soundness of banks at 111. The rank on institutions was 40, with public trust of politicians ranked 54, business costs of terrorism prevention at 125, and strength of auditing and reporting standards at 55. A little less cowboy culture, and a little more grown up behavior in lawmaking and regulation, is where a real difference could be made.

\*\*Advantage CP

DOC CP

The United States Federal government should consolidate all agencies relating to trade, technology, economic growth and workforce development into a Department of Competitiveness.

A Department of Competitiveness is key to fix economic competitiveness

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

One fact and one imperative appear to be on a collision course. Federal spending will decrease in the coming years, yet the importance of boosting our nation’s science and economic competitiveness cannot be overstated. How do we reconcile the two?

The traditional language used in such circumstances is to seek more bang for the buck. But even that’s not good enough anymore. The federal budget has to deliver the “best” for the buck, meshing the most efficient use of taxpayer resources with the most effective structure. That is particularly true where the federal government works with businesses, workers, communities, universities, and state and local governments to grow our economy. The historical evolution of federal functions and the jurisdictional scope of congressional committees no longer justify the current grab-bag organization of trade, technology, economic growth, and workforce functions in our federal government.

Today, there are more than 3,000 federal assistance programs that provide grants, loans, credit enhancements, and financing and technical assistance to firms, educational institutions, nonprofits, and local governments to pursue job-creating activities related to science and economic competitiveness. These programs are currently administered separately by the Economic Development Administration, Employment and Training Administration, Small Business Administration, Department of Housing and Urban Development, Department of Agriculture, and a swath of other federal agencies. Beyond assistance programs, other federal efforts that affect competitiveness—such as industry contracts, regulatory frameworks, and existing management structures—are equally fragmented.

That is why we propose reorganizing the functions of the Department of Commerce, moving significant portions of the current agency to other parts of the executive branch, and bringing in competitiveness-relevant functions from agencies outside the Department of Commerce. The purpose: to create a new, focused Department of Competitiveness that integrates federal policy around four interconnected areas of competitiveness: Trade Technology Economic growth Workforce development Where federal efforts are focused on general-purpose outcomes, such as export promotion and infrastructure technologies, we suggest that they be placed within the new department to boost their effectiveness. Where federal efforts are specialized and mission-specific but share overlapping constituencies with the new department’s work, we propose the creation of a new “Common Application”—a single point of access to related federal programs—to ensure that programs also work smoothly across governmental agencies in a manner that is most convenient for their users, such as small businesses and universities.

It is a testament to American ingenuity and our talented people, within and outside government, that we get the outcomes that we do from the many disjointed existing efforts. Our science successes range from the sequencing of the human genome to social networking technologies, and our economic successes range from our nation’s leading edge biosciences industries to the job-creating power of new industries proliferating across the Internet. Yet the press of global competition requires that we do better—much better.

To its credit, the Obama administration, recognizing the disjointedness of these many different programs, has launched a series of initiatives to harness the best of these efforts into a new national innovation and competitiveness strategy for the 21st century. President Obama has also issued a presidential memorandum instructing agencies to assess possibilities for government reform for competiveness. And already likeminded federal agencies with missions and money that clearly overlap are teaming up to offer competitive grants to develop cutting-edge technologies and the workforce needed to commercialize them in energy efficiency, advanced nuclear technology, and solar-made fuels, just to name a few. These efforts have another common purpose—to tap the comparative advantages of key regional economies and scientific centers of learning so that federal efforts align with the unique competitive strengths of our nation—our bottom-up scientific development and economic engine.

These competitive-grant programs offer policymakers some clear lessons on how our federal government can play to the strengths of our scientists, our engineers, our entrepreneurs, our financiers, our experienced workforce, and our eager students at universities, community colleges, and high schools across the country.What’s missing is a federal government structure that also plays to these strengths, is institutionalized effectively, and delivers efficient and competitive federal funding to fuel the bottom-up economic capabilities of our economy.

Simply put, government structures from the 19th and 20th centuries no longer conform to the demands of the 21st. Budget exigencies and economic-growth objectives require that the economic-growth efforts of the federal government be reconstituted so that our nation:

Makes the most efficient use of federal resources Aligns most effectively with the businesses that create business plans and the state and local governments that implement regional growth strategies Encourages bottom-up growth strategies attuned to the unique needs of the United States’ many regional economies There has never been a U.S. cabinet-level agency like the one we propose. And there has never been a time when it is needed more than it is today. This new department would retain many of the existing functions of the Department of Commerce centered on economic growth and business formation, but would add to their critical mass while reducing redundancies across the federal government. Bringing together key competitiveness functions around trade, technology, training, and economic growth under one umbrella will elevate the effectiveness and the status of the newly created department within the government, and increase the influence of its secretary in the cabinet.

DOC Solves Education/Workforce

Department Of Competitiveness creates strong workforce and education system

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

In the end it is workers who drive innovation, economic development, and

competitiveness—be it by working in labs, on assembly lines, in boardrooms, or

in storefronts. The firms that research, design, market, build, manufacture, repair,

and service the products that drive economic growth cannot exist, much less stay

cutting-edge, without skilled, creative, and capable workers. Competitive regional

economies depend upon the availability of a qualified workforce, and the talent of

America’s workers has long been a reason for companies to locate here.

There are several federal efforts already in existence that support state and local

efforts to enhance the quality of their talent pool. Paramount among them are:

• The Employment and Training Administration (Department of Labor)

• The Office of Vocational and Adult Education (Department of Education)

• Multiple small programs in the National Science Foundation.

The new Department of Competitiveness should combine existing efforts in the

departments of Education and Labor and, to a lesser extent, the National Science

Foundation, to pursue the goal of universal attainment of an associate’s degree

or industry-recognized credential. At the same time, it should focus on better

linking existing workforce investment dollars to the rapidly changing demands of industries and regions, while enhancing service delivery to help job seekers trying to keep up. By linking these efforts under one roof, similar programs can be combined to support more robust missions. Linking the goals of workforce policy

together with those of economic development and technology will ensure the American workforce can meet the needs of tomorrow’s high-growth industries. Efforts to better integrate the workforce development system with the economic

development programs are not new.23 The High Growth Job Training Initiative

and the Community-Based Job Training program, for example, were interagency

efforts designed to encourage market-driven collaboration between private industry

and relevant public entities involved in workforce development.24 Before that,

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the WIRED initiative sought to link leverage and align region-based workforce

and economic development strategies.25

Most recently the EDA’s Jobs and Innovation Accelerator Challenge epitomized the

high level of interagency coordination required to successfully develop competitive regional economies. The Accelerator brings together support from 13 agencies and funding from three (EDA’s Economic Adjustment Assistance Program, DOL’s H-1B

Technology Skills Training Grant, and SBA’s 7(j) technical assistance program).26 By

integrating current workforce development initiatives that tie in closely with globally competitive economic strategies, the new Department of Competitiveness’ Office of the Undersecretary of Workforce Development will be able to foster the same level

of coordination. (see Diagram 6)

Our nation faces a widening gap in critical science, technology, engineering, and math skills at all educational levels—from elementary to postsecondary. Increasingly many observers note that our national education and workforce training pipelines

are out of sync with the dynamic needs of increasingly knowledge-driven global

industries. Fixing this problem will require not only a substantial reworking of our

K-12 educational system to improve student achievemnet in science, technology, engineering, and math, but also much closer attention to ensuring workers have the training they need to fill the jobs of America’s cutting edge firms. Our colleagues Louis Soares and Steven Steigleder, in their paper “Buidling a

Technically Skilled Workforce,” present several concrete and pragmatic steps for

reorganizing the national workforce development system for competitiveness. We

won’t repeat their work here, but a few points about the importance of integrating

management of workforce development programs with technology, trade, and

local economic development follow.

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There are three important workforce functions that would be enhanced through strategic coordination with the other Department of Competitiveness functions: technical training, continuous career counseling, and industry-education collaboration. The Department of Labor already operates a network of “One-Stop” career centers in communities across the country. The nationwide network of Career

“One-Stop” Centers provides basic labor market information, job search assistance,

skill assessments, and limited career counseling to millions of workers every year.

As the economy becomes increasingly knowledge-based, the career counseling system needs to help workers move away from short-term job-placement services and toward long-term career development trajectories. Situating these and other workforce programs together with the other community-focused functions of the new department will help related efforts of job training, job placement, career counseling, and technical education become more responsive to the demands of

local and national industry.

The Department of Labor’s Trade Adjustment Assistance program illustrates the

profound relationship between trade, technology, training, and regional economic

vitality. Changing trade relationships—whether caused by naturally evolving market

dynamics or commercial diplomacy—have a profound effect on local industry,

employment, and workforce needs. The Trade Adjustment Assistance program

seeks to mitigate some of the wost effects of trade on communities by putting $1.8

billion of federal funding to helping millions of Americans whose jobs are affected

by changes in international trade patterns.27 It provides a path of employment

growth in each state through direct financial assistance, skills training, resources, and other support to help trade-affected individuals become re-employed.28 But under current law, this program delivers training and resources to regions

without careful regard to existing regional innovation and economic development

strategies. In so doing it deprives workers and training providers from the opportunity

to strategically develop skills and curricula geared toward the emerging

industries most locally relevant to their region.

Better coordinating not just these efforts, but also all workforce training programs with regional economic development and innovation cluster efforts though the new department’s national competitiveness strategy would help ensure that workforce training, career counseling, and technical training are tailored to unique regional needs and to fill important industrial niches.

DOC Solves Funding 1/2

Reorganization reduces spending – funds less

Reilly and Jackson 12(SEAN REILLY and DAVID JACKSON, Staff Writers, Obama government reorganization plan likely to meet resistance, Federal Times Jan 13 2012) <http://www.federaltimes.com/article/20120113/AGENCY04/201130307/Obama-government-reorganization-plan-likely-meet-resistance>

The merger would save $3 billion over 10 years by getting rid of duplicative overhead costs, human resources divisions and programs, Zients said in the conference call. He did not have a breakdown on the number of jobs that would be lost from each agency.

In arguing for more freedom to reorganize executive branch agencies, Obama said he is seeking to restore the same authority enjoyed by presidents from the 1930s until 1984, when lawmakers stopped granting it during the Reagan administration.

The White House plans to send proposed legislation to Capitol Hill "in short order," Zients said. If lawmakers go along, the administration could also use the new-found authority to address overlap and fragmentation in food safety and other areas.

Reorganization cuts spending - eliminates duplicates

Washington Post 12 (Washington Post, Senate panel considers Obama’s reorganization plan March 21 2012)

<http://www.washingtonpost.com/politics/senate-panel-considers-obamas-reorganization-plan/2012/03/21/gIQAfRedSS_story.html>

“This consolidation would serve the American people more efficiently and effectively while saving $3 billion over 10 years by cutting waste; eliminating duplication, overlap and unnecessary overhead costs; and reducing the size of Government,” Werfel said in his testimony.

Any reduction in the workforce, he added in an interview, would come through attrition.

To demonstrate how confusing government duplication can be, the top Republican on the committee, Sen. Susan M. Collins (Maine), displayed a bewildering chart, based on Government Accountability Office data, showing 11 agencies and their 94 green building initiatives.

“Improving the energy efficiency of buildings is a worthwhile goal, but surely, overlapping and duplicative programs are not the best way to achieve that goal,” she said. “There is no consistent oversight, there is no accountability, and it is a virtual certainty that there are millions and millions of dollars wasted.”

DOC Solves Funding 2/2

Department of Competitiveness will unite agencies and maximize profits by fixing misallocated funding – empirics prove

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

The centerpiece of the new Department of Competitiveness would be a new common

application program for all four facets of the new department’s responsibilities—trade,

technology, workforce training, and economic growth. A common application—not

unlike the common app for college admissions—would make the effort of applying

for several related programs at this new department far easier, faster, and less expensive.

The current structure of federal programs is uncoordinated and lacks an overall strategic

vision. (See Appendix A on page 34 for a list of many of the existing programs

that currently lack coordination.) To illustrate the problem, take the example of an

entrepreneur working to start a small business and create jobs around the commercialization

of a new idea in an underserved region. Today, such an entrepreneur

might be eligible for a dozen assistance programs spread across several different

agencies. But finding and applying to them all separately is prohibitively costly.

Furthermore, if the business plan involved the commercialization of university

research, that university too could be eligible for different programs from entirely

separate agencies, for example through the Small Business Technology Transfer

grant program administered separately by 11 agencies. And, if the business

plan required a particular kind of workforce talent, local workforce training

Since innovation is

among the most

important longterm

drivers of

economic growth

and job creation,

helping the private

sector innovate is

indispensable to

competitiveness.

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organizations (such as community colleges or career counseling providers) would

be eligible for still separate assistance programs.

In short, the whole of these actors’ activities together is greater than the sum of

their activities apart.

Under current policy, there is no way to ensure all of the potential innovation

participants—the small business, the university lab, and the workforce training

provider—would have their bid for assistance reviewed jointly, despite the mutual

interdependence of their activities. That’s where the consolidation of a number of

these existing programs under a new Department of Competitiveness and accessible

via a Common Application program would add value.

Bringing together the various existing public financing tools used to support these

different activities would help make the most of every dollar spent by each of

them. Replacing these existing siloed programs with one program would streamline

the application process, provide flexibility, increase efficiency of federal funds,

and create value through new synergies.

The 2011 debut of the Economic Development Administration’s newest Jobs and

Innovation Accelerator program, which encourages joint applications put together

by consortia of small businesses, training providers, and regional economic

councils, is a great example of how this can work.6 By aligning the resources of 16

federal agencies and programs, the program made it easier for 20 public-private

consortia in underserved regions around the country to self-assemble around the

commercialization of new technologies. The program, at a cost of $37 million, is

expected to leverage $69 million in private finance and support 339 new businesses,

4,800 new jobs, and new skills training for 4,000 workers.7 Despite a tight

application period of only 40 days from the funding announcement to the application

deadline, the program was vastly oversubscribed, with 121 applications for

only 20 winning consortia. This indicates the very real interest that exists for this

kind of synergistic and regionally focused federal streamlining.

Our proposal would systematize this thinking and take it to the next level by

replacing the dozens of separately managed programs operating in disparate policy

silos across a dozen agencies with one, streamlined system capable of bringing

to bear a full array of policy tools—grants, loans, contracts, credit enhancement,

technical assistance and others—on the challenges of bottom-up, regional innovation,

job creation, and growth. Figures 1 and 2 show how many separate programs

from different agencies could be aligned to better support their unified goals.

DOC Solves Innovation/Jobs 1/3

Unity of the Department of Commerce will spur innovation and jobs

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

Instead of the alphabet soup of parallel and complimentary grant, loan, financing,

and assistance programs, one program would be better able to flexibly assess the

needs of regional applicants and deliver timely and targeted support to the wide array

of players who participate in innovation and job creation. A single, flexible common

application program operated by the Department of Competitiveness would address

all applications for all the various types of existing support through the lens of

network formation. It would have a big-picture view of existing and nascent innovation

networks in regions, and would be empowered to dispense project grants, loans,

credit enhancement, and programmatic services as needed to help connect innovation

players and bring regional innovation and job creation plans to life.

Department of Commerce will create synergy at every level of government – solves for jobs, innovation and growth

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

To be clear, the federal government already does these things, but not in a way that

strategically exploits the synergies between them. Using this extensive list of tools,

this Common App program would have tremendous flexibility to coordinate

financing assistance, loans, and project grants to tech startups, university-industry

partnerships, community development programs, and a wide array of small businesses,

as well as larger self-organizing consortia, regional economic development

organizations, district organizations, microenterprise development organizations,

and the like. We suggest that implementation of the Common Application could

increase thoroughness, reduce the administrative burden on business, realize new

synergies, and foster new collaboration at the local, regional, and national level.

Having one program able to leverage different tools ensures that every worthy

applicant receives the appropriate support to foster innovation, spur job creation,

and sustain economic growth. Combining related resources under one administrative

roof benefits both the applicant (a streamlined and simple interface where

they can see and understand all of the opportunities available), and for the government

(increased proximity among related programs, opportunity for enhanced

strategic and regional coordination, elimination of redundancy).

Pooling diverse existing competitiveness funding opportunities would be more

efficient than the current system of siloed programs because of the reduced

administrative burden involved in leveraging multiple, complementary sources

of programmatic support. But more importantly, value will be added by fostering

new collaboration—both among currently uncoordinated federal programs

pursuing similar goals, and among the public and private sector players working to

catalyze innovation and growth in their regions.

We discuss how this program would work with the various other agency efforts

around the four pillars of trade, technology, training, and economic growth in the

main pages of the report.

Empirics prove - Consolidation of agencies of Japan into the Ministry of International Trade and Industry or MITI turned Japan into a economic juggernaut

Bartlett 12(Bruce Bartlett, Senior policy roles in the Reagan and George H.W. Bush administrations and served on the staffs of Representatives Jack Kemp and Ron Paul, The Pros and cons of Obama’s Reorganization Plan, 1/17/12) <http://economix.blogs.nytimes.com/2012/01/17/the-pros-and-cons-of-obamas-reorganization-plan/>

This is not a new idea. In 1983, President Reagan asked Congress for a similar reorganization. According to a New York Times article, the purpose of the new agency was to create an American version of Japan’s powerful Ministry of International Trade and Industry. At the time, Japan was widely viewed the same way China is today: as our greatest economic competitor and potentially a national security threat as well. Books like “MITI and the Japanese Miracle” (1982) by Chalmers Johnson were widely read. They glorified Japan’s “industrial policy” and praised its bureaucrats for vision and skill in using a combination of trade restrictions, targeted subsidies and regulatory policy to create an economic juggernaut.

While not seeking to emulate MITI’s heavy-handed command and control of private industry, American officials did see international trade, especially export prowess, as a key to economic prosperity and national power.

If it took selective trade restrictions on strategic goods like computer chips or subsidies to domestic manufacturers, then that’s what it took to maintain American supremacy in a world in which nuclear weapons counted for less and trade deficits were a sign of weakness.

DOC Solves Innovation/Jobs 2/3

Department of Commerce solves interagency disorder - solves for innovation and growth

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

These mission-specific programs overlap with the mission, outcomes, and

capabilities of many of the agencies we do suggest be included in the new department—

they also benefit from operating close to their “clients.” This industryspecific

focus makes these agencies better suited to close collaboration with the

Department of Competitiveness, rather than outright consolidation.

Nonetheless, the coordination of these efforts would be improved by the creation

of the new Department of Competitiveness. Grant programs operated by

these agencies could and should be coordinated in some way with the Common

Application program we suggest in order to ensure that technology-driven innovation

investments are supported by matching investments in local workforce,

infrastructure, and exploration of export opportunities.

Thus, we suggest that the new Department of Competitiveness have a deputy secretary

in charge of managing the Common Application program as well as serving

as the chief of interagency technology coordination. As part of this responsibility,

we propose that the second deputy secretary should oversee a cross-matrixed

organizational system that establishes Competitiveness Department offices in mission-

driven agencies such as the ones above in order to facilitate the most efficient

cross-departmental coordination.

Having a new Department of Competitiveness joint office nested in the management-

level at each of these agencies will ensure that synergistic tools and

expertise are shared between these technology-specific agencies and the other

technology, trade, and economic functions of the new DOC. While it is perhaps

a bold suggestion to cross-fertilize agencies with jointly run offices from other

agencies as a matter of course, it is exactly this kind of cooperative and unconventional

thinking that will keep our government and our economy innovative

and competitive in the 21st century.

DOC Solves Innovation/Jobs 3/3

DOC key to innovation – solves the competition killing patent system

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

The federal government, however, has no concentrated focus on R&D for platform

technologies—those technologies that act as the infrastructure for the

creation of a wide swath of other innovation advancements, including missionspecific

tasks. Yet the most important platform technology of our time, the

Internet, was spawned and developed largely through public-sector support.

There are currently many government functions that provide services in support

of the research, development, and commercialization of science and technology:

• National Institute of Standards and Technology (Department of Commerce)

• Manufacturing Extension Partnership program (Department of Commerce)

• Small Business Innovation Research Program (Small Business Administration)

• National Technical Information Service (Department of Commerce)

• Patent and Trademark Office (Department of Commerce)

Bringing together the industry-facing services of these many agencies and programs

under a Common Application would streamline access. And managing the

portfolio of general-purpose and public-good technology innovation programs

geared toward serving businesses and universities together under an innovationpolicy

office at the undersecretary level would be of great assistance to the White

House, its Officer of Science and Technology Policy, and to our national innovation

ecosystem. (see Diagram 4)

Partnerships between universities and entrepreneurs are today driving technology

innovation in regions across the country. The first time when these entrepreneurs

and researchers interact with the federal government will often be when they

apply for a patent. Unfortunately, under current law patents can take three years

or more to obtain. This is a drag on the innovation pipeline. Though the America

Invents Act of 2011 will help reduce patent pendency, the U.S. Patent and

Trademark Office still does not have the flexibility it needs to serve the interests

of these innovation players to the best of its ability. Further, there is no process in

place to connect patent applicants or new patent holders with the wide range of

other federal services available to help them bring their technologies to market.

Coordinating the patent process more closely with other federal technology

services through the Department of Competitiveness can help solve this problem.

When a patent is issued, in addition to filing it away in the federal patent registry,

why not also notify the patent holder of small business acceleration programs for

which he or she might be eligible? Patents are issued to businesses both large and

small, but federal programs targeted toward smaller firms can be more effectively

integrated. The Small Business Innovation Research and Small Business

Technology Transfer programs, for example, are two programs totalling $2 billion

that help small technology firms to get the startup capital they need to build business

plans around the commercialization of new technology.

But small technology firms need more than just access to capital to ensure business

success and job creation. They also need locally available workers with

specialized skills, access to foreign and domestic markets in which to sell their

products and services, and a say in regional economic and infrastructure planning.

As these small technology startup firms grow, they may also need assistance in the

scale up of manufacturing, and for this they will turn to the NIST’s Manufacturing

Extension Program. The MEP program operates field offices in every state that

provide U.S. manufacturing companies with a wide array of technical services to

help them become competitive.

The technology startup company may also need help finding a market for its product.

But small firms rarely have the resources needed to research potential market

opportunities in every country around the world, so for this, it would again need

to go to a different agency—one of several discussed in the preceding section.

Finally, as the small technology firm begins to grow, invest in manufacturing, and

increase its market penetration, it will need a locally available supply of skilled

workers, which even in the depths of recession, can sometime be hard to find in very

specialized industries. Better matching local talent to industry demand is subject of

another paper from our series “Building a Technically Skilled Workforce,” but the

firm may not have a relationship with local workforce development providers.

The important

role of technology

to jobs and

the economy

necessitates a

more concerted

federal strategy

to promote

innovation.

Bringing together the management of all of these federal services would not

only streamline startup company access to the technology and trade-related

services it needs, but also would help it better coordinate its needs with those

of the relevant players such as community colleges and local economic development

boards in its region.

Small- and medium-sized firms working on the cutting edge of technology innovation

make up a large percentage of overall U.S. exports—more than 30 percent,

according to the Small Business Exporters Association of the United States.

Thousands of jobs and the path of future industrial development depend on their

success. Coordinating the many different ways in which federal programs can

support their success, and the success of their local and regional partners through

a strategic competitiveness strategy, will help these firms get access to the human,

physical, and financial capital they need to stay cutting edge and create jobs.

DOC Solves Trade

Department of Competitiveness solves trade – key to GDP, strong industry and jobs

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

The business of trade should be collected in one place—where trade negotiations,

trade policy, and export efforts can be combined. That is already the focus of the

Office of the U.S. Trade Representative, or USTR, which has taken a leadership

role in achieving President Obama’s goal of doubling exports in five years.

Presently, there are seven or more federal bureaus and agencies with trade-related

missions acting separately, which together spend about $50 billion each year:

• Office of the United States Trade Representative

• International Trade Administration

• Department of State’s several trade bureaus

• Bureau of Industry and Security

• Export-Import Bank of the United States

• U.S. Trade and Development Agency

• Overseas Private Investment Corporation

Operating trade-related functions together with related programs in technology,

training, and economic growth will make it easier for the competitiveness

department to use trade as a tool to drive technology innovation, jobs growth,

and U.S. industrial competitiveness. A major priority of innovation-driven

economic growth is to ensure new technologies—and the businesses that make them—have access to robust markets. Trade assistance helps firms of all sizes to compete for market share in global markets, access demand, sell more goods, and hire more workers. Building upon the interagency coordination already occurring through National

Export Initiative and the Office of the USTR would allow a Secretary of

Competitiveness to effectively manage U.S. trade policy as a tool in national innovation

and competitiveness strategy. Bringing together the currently dispersed

trade functions across government into one place will also eliminate redundancy and allow for more strategic utilization of existing trade tools. (see Diagram 3)

Trade is a tremendously important aspect of our national economy. In 2010 the

United States exported $1.3 trillion worth of goods—including commodities,

manufactured products, technology, and services—and imported $1.9 trillion.

While a large part of this $600 billion trade deficit is driven by imports of fossil

fuels, and nondurable manufactured goods such as clothing, foods, and commodities,

more troubling is the recent deficit in high-tech trade. While U.S.

industries once dominated global high-tech markets, since 1999, U.S. businesses

have bought more high-tech goods than they have sold. Today the deficit reduces

annual GDP by 0.6 percent per year, and the deficit is only getting worse.

As our colleagues Christian Weller and Luke Reidenbach noted in their 2011

report, the quantity and quality of U.S. trade relationships in high-tech sectors

have profound implications on long-term economic growth, jobs, wages, and standards of living. A more strategic approach to high-tech export expansion is needed to reverse the recent declines of U.S. trade in these industries.16

An integrated Department of Competitiveness could help boost the success of

these critical U.S. industries through a shared focus on trade, technology, training, and economic growth. Under current law, commercial diplomacy, bilateral and multilateral trade negotiations, trade dispute arbitration and enforcement, trade

counseling, market intelligence, export finance assistance services, and technical

standards setting are managed as separate, or even unrelated, activities.

Managing them jointly as part of a strategic competitiveness plan would recognize these efforts for what they are: useful tools to ensure U.S. businesses compete on a level playing field in the global marketplace. From this perspective, the trade- based competitiveness tools that currently exist in the federal government can be

roughly divided into three broad categories:

• Trade negotiations

• Overseas enterprise assistance

• Enforcement

Better coordinating these three interrelated domains—currently scattered among

the organizations listed above—could yield significant new synergies.

So let’s look at a brief example of industry-facing trade services could be better

utilized to promote domestic success.

When U.S. companies export goods and services abroad, the result is new jobs.

There are presently four different agencies wholly dedicated to providing domestic

small businesses and industry with trade assistance services such as trade counseling,

market intelligence, and export financing and technical assistance: the Export-

Import Bank, the Overseas Private Investment Corporation, the U.S. Trade and

Development Agency, and the International Trade Administration. What’s more,

the Economic Development Administration and Small Business Administration,

though not wholly concerned with trade, also operate programs that provide

duplicative industry-facing trade services.

Why should exporters or would-be exporters have to look to four or even six different

agencies to find the loans, loan guarantees, and other financing assistance

and technical assistance they need to get access to international market demand

for their products? Eliminating this redundancy by making these tools accessible

through a Common Application makes sense. It would make it easier for businesses

and manufacturers to get the help they need to access foreign markets and bring in valuable and job-creating commercial export agreements. Integrating the management of bilateral and multilateral trade negotiation and

enforcement would be helpful as well. Currently such work is undertaken by various

bureaus at the State Department, at the White House office of the USTR, and

the International Trade Administration. Policies such as foreign direct investment

rules, intellectual property rights, and market access all play significant roles in determining the success or failure of U.S. high-tech trade efforts and would thus be valuable tools in the implementation of a national competitiveness strategy. Allowing innovative manufacturers to access trade, technology, and training services together through a single point of contact would make innovation and job creation easier across all of the nation’s regions. 20 Center for American Progress | Rewiring the Federal Government for Competitiveness

Besides streamlining government interaction for businesses, bringing industry-facing

services together with trade negotiation and enforcement also would provide

better insight to our commercial diplomacy efforts.

A word on the USTR is appropriate. Some worry that the effectiveness of our

trade negotiations will be decreased if the function of the USTR is moved out

of the Executive Office of the President. The concern is fair, but we think that

a creative approach can be found that marries the greater efficiency in governmental operations with the greatest efficiency for our negotiators. It is true that other critical elements of governmental operations such as those housed in

the State Department and Defense Department are not situated in the White

House, and we think that the same can be accomplished here. That is why, for

example, we propose that the new cabinet department include both a Secretary

of Competitiveness and a Deputy Secretary who, with the full confidence of the

President and the Secretary, would exercise the traditional authority of the USTR.

Jointly managing trade services, commercial diplomacy, and enforcement as

part of a national competitiveness strategy that also includes technology, training,

and regional economic coordination services would allow for these services

to make an even bigger impact. All over the country today there are small and

medium innovative manufacturers and technology startups working with the federal technology programs, such as the Manufacturing Extension Partnership, to improve supply chains and position their technology in global innovation systems.

Technology exporters are also working with local economic development boards,

community-planning councils, and other vehicles for regional economic coordination

to support their efforts to create domestic jobs through export expansion.

They are also working with local governments, community colleges, and other

workforce development organizations to cultivate the talent they need to make

the most of job-creating export opportunities.

DOC Popular 1/2

Reorganization is popular in public

Clark 11 (Timothy B. Clark, editor in chief, publisher and president of Government Executive, Government Executive, Department of the Future, April 1st 2011) <http://www.govexec.com/magazine-analysis/magazine-analysis-perspectives/2011/04/department-of-the-future/33661/>

Perhaps reflecting the economic malaise that still afflicts many Americans, President Obama has taken to saying that government must help us "win the future." This newly minted cliché combines with an older bromide-"when in doubt, reorganize"-to produce the notion that government might need a Department of Competitiveness.

To win, after all, one must compete. And we are not exactly winning the future now. We aren't educating the next generation as well as other nations. We are losing high-value manufacturing jobs at a rapid rate. We face huge fiscal deficits that discourage federal, state and local governments from making investments that could help us grow. Unemployment remains high. There's no political consensus about what we should do to improve things. Other nations, like Germany, are doing better.

Reorganization is a serious enough idea to have made it into President Obama's State of the Union message this year. "In the coming months," he said, "my administration will develop a proposal to merge, consolidate and reorganize the federal government in a way that best serves the goal of a more competitive America." On Jan. 30, a White House blog post announced: "Jeff Zients Will Lead Reorganization of Federal Government." Zients, the Office of Management and Budget's deputy director for management, is working with White House aide Lisa Brown to define the effort.

So reorganization, usually dismissed as interesting only to public administration theorists, has clambered onto the president's agenda. And the idea does have the support of influential people. When Paul Volcker chaired the National Commission on the Public Service in 2003, he found a federal civil service "at sea in an archipelago of agencies and departments that have grown without logical structure, deterring intelligent policymaking." The Volcker commission strongly recommended reorganization. In the past few months, the Center for American Progress, led by former White House Chief of Staff John Podesta, has published reports advocating reorganization around the competitiveness theme. And the National Academy of Public Administration (on whose board I serve) has convened expert panels to examine prospects for effective reorganization.

It's possible that American business leaders might get behind the idea as well. It would resonate, for instance, with Andrew N. Liveris, chairman and chief executive officer of The Dow Chemical Co., author of a new book titled Make It in America (John Wiley & Sons, 2011). Liveris describes what he sees as crisis in the American manufacturing sector, which now accounts for just 11.5 percent of gross domestic product. In the past decade alone, he reports, companies closed 42,000 factories in this country at the cost of 5.5 million manufacturing jobs. Without manufacturing, he writes, innovation will languish as researchers move abroad. Liveris argues for reforms in spending, tax, regulatory, immigration and education policies to promote competitiveness.

Reorganization is bipartisan

Clark 11(Charles S. Clark, Obama reorganization plan alive but not necessarily well, Government Executive, June 18, 2011) <http://www.govexec.com/management/2012/06/obama-reorganization-plan-alive-not-necessarily-well/56336/>

“I’ve asked Congress for the authority to reorganize the federal government that was built for the last century -- I want to make it work for the 21st century,” he said last week, calling for “a federal government that is leaner and more efficient and more responsive to the American people.”

And though several Democratic senators are preparing to move on the draft legislation the White House sent over this spring, election-year pressures and skepticism among House Republicans could derail this effort to streamline certain federal departments.

Building on a promise made in his State of the Union Address in January 2011, Obama early this year asked Congress to renew executive branch authority -- first granted in the 1930s but taken away from President Reagan in the 1980s -- to merge six agencies to achieve greater efficiency and to make them more responsive to citizens and outside interests.

Obama proposed consolidating commerce and trade-related agencies, including the Small Business Administration and the Export-Import Bank, expecting to eliminate 1,000-2,000 federal jobs through attrition and save $3 billion over 10 years.

Since January, the administration has pushed the effort through meetings with members and staff from both congressional chambers and both parties. The White House also launched a related crossagency website, BusinessUSA.gov, sent Controller Danny Werfel to testify at a Senate hearing and promoted the plan in an op-ed in Politico authored by acting budget director Jeffrey Zients and Business Roundtable chief John Engler, the former Republican governor of Michigan.

“Eliminating wasteful duplication and unnecessary bureaucratic barriers is something members of both parties can agree on -- and we are urging the Hill to pass the president’s reform proposal to reinstate reorganization authority,” said Office of Management and Budget spokeswoman Moira Mack in a recent email to Government Executive.

DOC Popular 2/2

Reorganization Bipartisan – Despite election

Clark 11(Charles S. Clark, Obama reorganization plan alive but not necessarily well, Government Executive, June 18, 2011) <http://www.govexec.com/management/2012/06/obama-reorganization-plan-alive-not-necessarily-well/56336/>

Sen. Joe Lieberman, I-Conn., chairman of the Homeland Security and Government Affairs Committee, who introduced the Obama bill (S. 2129) along with Sen. Mark Warner, D-Va., said through a spokeswoman that he “hopes to mark up the legislation before the end of the summer.”

Warner also expects the panel to take up the bill soon. “Everything must be on the table to reduce our long-term debt and that includes reforming the way our government works,” he said in an email. “Restoring a president’s ability to target duplication and overlap within the federal government is an important tool, and that’s why I co-sponsored the Reforming and Consolidating Government Act of 2012.”

Sen. Tom Carper, D-Del., who chairs the Homeland Security Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security, said in an email Monday that the Obama “proposal strikes the right balance in streamlining federal operations while improving government performance, and in doing so has the potential to save billions of dollars. I’ve been saying for years now that we need to look in every nook and cranny of the federal government to find savings, and this administration continues to be a good partner with me and other members of Congress who are zealous in our pursuit of reforms that will help the government do more with less.” Stier, president and chief executive officer of the nonprofit Partnership for Public Service, predicted consideration of the bill would be pushed into 2013. “We’re now in the political silly season, so there’s a lot not happening in this election season with such a great deal of partisanship, and it would be surprising to see movement,” he said.

“There is bipartisan agreement that we need to do government differently, as the demands change and the budget pressures increase,” Stier added, citing as examples proposals to reform federal compensation and the confirmation process. “There’s agreement on the need, but disagreement on the specifics.”

Reorganization Pop – less spending and innovative

Reilly and Jackson 12(SEAN REILLY and DAVID JACKSON, Staff Writers, Obama government reorganization plan likely to meet resistance, Federal Times Jan 13 2012) <http://www.federaltimes.com/article/20120113/AGENCY04/201130307/Obama-government-reorganization-plan-likely-meet-resistance>

In a statement, Rep. Darrell Issa, R-Calif., chairman of the House Oversight and Government Reform Committee, called on Obama to collaborate with Congress on his plan."I stand ready to work with President Obama on proposals to reorganize federal agencies," said Issa, whose committee could have first crack at the reorganization legislation. "While I have been disappointed that the White House has not embraced earlier bipartisan congressional efforts seeking collaborative engagement on proposals to reorganize government, I hope this announcement represents the beginning of a sincere and dedicated effort to enact meaningful reforms."

Sen. Joe Lieberman, I-Conn., chairman of the Senate Homeland Security and Governmental Affairs committee, called the White House plan "an important and innovative proposal."

"If done right, this kind of initiative can help our economy and streamline our government," Lieberman said in a statement.

Sen. Susan Collins, the ranking Republican on the Homeland Security Committee, also signaled interest in Obama's proposal. In a statement, she said, "There is no shortage of agencies and programs ripe for streamlining and eliminating duplication to save money and improve service. After all, especially in this difficult fiscal climate, Americans should only pay for something once, not dozens of times."

A2 DSCOVR Turn

Consolidation of NOAA makes it more efficient

Washington Times 12 (Washington Post, Obama’s reorganization plans earn early criticism,1/17/12) <http://www.washingtonpost.com/blogs/federal-eye/post/obamas-reorganization-plans-earn-early-criticism/2012/01/16/gIQAdTlW4P_blog.html>

White House officials familiar with the reorganization plans dispute Hirn’s interpretation of history and said moving NOAA to the Interior Department would allow several agencies with weather, oceanic and geographical and geological responsibilities to work together under one agency.

Over the last few decades, western civilisations have busily sown the seeds of their own destruction. Our modern way of life, with its reliance on technology, has unwittingly exposed us to an extraordinary danger: plasma balls spewed from the surface of the sun could wipe out our power grids, with catastrophic consequences.

DSCOVR is unnecessary- We can detect solar flares without using DSCOVR

Connor 11(Steve Connor, 6/13/11, science editor for “The Independent”, “’Conrolled’ power cuts likely as Sun storm threatens national grid”) <http://wattsupwiththat.com/2011/06/13/power-grid-worries-flaring-over-solar-flares/>

This is quite alarming, but as Dr. Leif Svalgaard explained in his email tip to me, “…in this case, probably justified”. Here’s the story from the Independent: Officials in Britain and the United States are preparing to make controlled power cuts to their national electricity supplies in response to a warning of a possible powerful solar storm hitting the Earth. In an interview with The Independent, Thomas Bogdan, director of the US Space Weather Prediction Centre, said that controlled power “outages” will protect the National Electricity Grids against damage which could take months or even years to repair should a large solar storm collide with the Earth without any precautions being taken. … The aim of the joint US-UK collaboration is to improve solar weather forecasting to a point where it is possible to warn power companies of an imminent storm. There is a feeling that if a “category 5″ solar storm – the biggest of the five categories – were to be predicted, then taking the grid off-line before it is due to hit Earth and letting the storm pass would be better than trying to keep things running, he said.

Solar Flares overhyped- empirically proven

O’Neill 08(Ian O’Neill, 6/21/08, founder and editor of Astroengine, “2012: No Killer Solar Flare”) <http://www.universetoday.com/14645/2012-no-killer-solar-flare/>

“Killer” solar flares have been observed on other stars. In 2006, NASA’s Swift observatory saw the largest stellar flare ever observed 135 light-years away. Estimated to have unleashed an energy of 50 million trillion atomic bombs, the II Pegasi flare will have wiped out most life on Earth if our Sun fired X-rays from a flare of that energy at us. However, our Sun is not II Pegasi. II Pegasi is a violent red giant star with a binary partner in a very close orbit. It is believed the gravitational interaction with its binary partner and the fact II Pegasi is a red giant is the root cause behind this energetic flare event. Doomsayers point to the Sun as a possible Earth-killer source, but the fact remains that our Sun is a very stable star. It does not have a binary partner (like II Pegasi), it has a predictable cycle (of approximately 11 years) and there is no evidence that our Sun contributed to any mass extinction event in the past via a huge Earth-directed flare. Very large solar flares have been observed (such as the 1859 Carrington white light flare)… but we are still here. In an added twist, solar physicists are surprised by the lack of solar activity at the start of this 24th solar cycle, leading to some scientists to speculate we might be on the verge of another Maunder minimum and “Little Ice Age”. This is in stark contrast to NASA solar physicist’s 2006 prediction that this cycle will be a “doozy”. This leads me to conclude that we still have a long way to go when predicting solar flare events. Although space weather prediction is improving, it will be a few years yet until we can read the Sun accurately enough to say with any certainty just how active a solar cycle is going to be. So, regardless of prophecy, prediction or myth, there is no physical way to say that the Earth will be hit by any flare, let alone a big one in 2012. Even if a big flare did hit us, it will not be an extinction event. Yes, satellites may be damaged, causing secondary problems such as a GPS loss (which might disrupt air traffic control for example) or national power grids may be overwhelmed by auroral electrojets, but nothing more extreme than that.

A2 No Cooperation

Obama’s action will ensure cooperation

Sallet and Pool 11 (Jonathan Sallet is a partner in the Washington D.C. office of O’Melveny & Myers LLP. Sean Pool is the assistant editor of Science Progress, the Center for American Progress’s online science and technology policy journal, Rewiring the Federal Government for Competitiveness 1/19/12 <http://www.americanprogress.org/issues/2012/01/dwwsp_competitiveness.html>

An act of Congress would be needed for such a substantial reorganization as the

one we suggest in the forward of this series on page ii, but the president already has

considerable authority to set this agenda in motion. President Obama has already

issued a presidential memorandum instructing agencies to begin assessing opportunities

for consolidation and increased collaboration, and on January 13, 2012,

asked Congress for the authority to take the next step.29 As this process unfolds

the president should also issue an executive order that creates interagency working

groups in trade, technology, workforce training, and economic growth to ensure

close coordination of programmatic efforts. These working groups could begin to

do the detailed work of designing the coordination we advocate for in broad strokes

here, and present its findings to Congress for a single up or down vote.

In an aggressive scenario, these working groups could be empowered with substantial

authority so as to constitute a sort of “virtual agency” that fulfills many of

the goals we lay out. This step would ensure that applications for governmental

support can be handled through “one-stop shopping” that matches efforts at the

federal level to the competitive advantages of the nation’s regional economies.

In essence, the Obama administration should do everything in its power to establish

the Common Application competitiveness assistance program and the functional

working relationships that the newly created department would need even if

Congress refused to give formal reorganization authority. The executive order would

mandate that the various agencies work together formally, institutionalizing some of

the successful experiments in competitiveness-oriented thinking already in operation.

Implementing this “virtual agency” with executive authority would test the functions

of various agencies working together, and identify areas of increased synergy and

decreased redundancy that we haven’t even considered in this paper.

Aff – DOC Fails

Department of Competitiveness is redundant

The Reporter 11( The Reporter Online, “The Department of Redundancy Department” August 25, 2011) http://www.thereporteronline.net/atf.php?sid=26021#

The economy is slowly circling the drain, and jobs are about has hard to find as a dropped earring in a ball pit; however, according to an article in the New York Times, we shouldn’t worry because our president may have come up with a solution.

This trial balloon promised to, upon implementation, make great strides in the job market and help to stem the unemployment overflow. A new government agency with the clever title “The Department of Jobs” would have been created.

Another proposed name would have been “The Department of Competitiveness.” That’s not a joke.

Except, in a way, it is a joke. It’s an idea so dumb that one almost wishes the Obama Administration would follow through with it just so its sheer stupidity could be on display for all to see. With unemployment above 9 percent still, the longest period of sustained high joblessness since the Great Depression, the American people are through with the gimmicks.

They’ll probably never do it, but just consider the concept. This new organization would have been responsible for the creation of new jobs. Which would actually require Obama to do something to create them, or does he think that because the agency specifically mentions jobs, they will magically appear? Has Obama considered how government might be getting in the way of private production?

The department would have reportedly resulted from a merger of the Department of Commerce, United States Trade Representative and some economic divisions of the State Department.

However, this begs the question as an aside: if what we are missing is the Department of Jobs, what exactly does the Department of Labor do?

When asked to comment on the possible new department, former Department of Labor official Don Todd of Americans for Limited Government stated, “We already have a Department of Commerce that doesn’t create any commerce, a Department of Education that doesn’t educate anybody, and the ‘Healthy, Wealthy and Wise’ Commission at the Department of Health and Welfare that doesn’t contribute to anyone’s health or welfare…I think we should call it the Department of Redundancy Department. That would make more sense.”Obama’s great solution to every problem seems to be to just create a committee or agency responsible for that problem, where he can then appoint some of his minions to get to work not solving it. His fervent insistence that he can create jobs without actually putting forth any action from which jobs would result is ludicrous.

Reorganization fails – Homeland Security proves

Washington Post 12 ( Washington Post, Government reorganization aren’t easy, history shows 1/13/12) <http://www.washingtonpost.com/blogs/federal-eye/post/president-obama-to-ask-congress-for-power-to-reorganize-agencies-live-video/2012/01/13/gIQAawW9vP_blog.html>

“You won’t have many businesses say that yes, it’s easy to navigate the federal government. No one will say that,” the official said. “You won’t get a good government expert to say that. You’re not going to get any management consultant. So you’re defined by the people who opposed you and in some ways it just underscores the point the president will make.”

Several reorganization plans have emerged in recent years — some by choice, others by necessity.

The Sept. 11, 2001 terrorist attacks forced a massive reorganization of security agencies, including the 2003 birth of the Department of Homeland Security, which brought 22 disparate agencies under one command. But almost 10 years since its establishment, current and former officials agree the relatively young department is still suffering from poor management and unclear focus.

Japan’s MITI(Ministry of International Trade and Industry) caused Japan’s economic collapse in the 90s

Bartlett 12(Bruce Bartlett, Senior policy roles in the Reagan and George H.W. Bush administrations and served on the staffs of Representatives Jack Kemp and Ron Paul, The Pros and cons of Obama’s Reorganization Plan, 1/17/12) <http://economix.blogs.nytimes.com/2012/01/17/the-pros-and-cons-of-obamas-reorganization-plan/>

In the late 1980s, cracks in MITI’s facade of invincibility were evident. By the early 1990s, high-profile MITI initiatives in advanced computers and nuclear power were widely viewed as failures.

Economists began increasingly to view MITI as a hindrance to growth. Books like “Divided Sun: MITI and the Breakdown of Japanese High-Tech Industrial Policy, 1975-1993” (1995) by Scott Callon reflected the growing consensus, as did the 1996 article by the economists Richard Beason and David Weinstein in the Review of Economics and Statistics.

By 2001, the Japanese government accepted the MITI critique and effectively abolished it, folding it into the Ministry of Economy, Trade and Industry. A 2002 study published by the Ministry of Finance concluded, “The Japanese model was not the source of Japanese competiveness, but the cause of our failure.”

Economists now discourage developing nations from adopting Japanese-style industrial policies.

Aff – DOC Unpopular

Reorganization Unpop - Republicans

Clark 11(Charles S. Clark, Obama reorganization plan alive but not necessarily well, Government Executive, June 18, 2011) <http://www.govexec.com/management/2012/06/obama-reorganization-plan-alive-not-necessarily-well/56336/>

But Republicans on the House Oversight and Government Reform Committee, after initially expressing sympathy toward the president’s goals, may have turned sour. Asked to comment on prospects for the administration’s request, a spokesman sent a plaintive statement from Rep. Dennis Ross, R-Fla., chairman of the Oversight Federal Workforce Subcommittee.

“If the Obama administration is serious about advancing its proposal, it has not shown it,” Ross said. “Since the committee’s Feb. 28 hearing, the White House Office of Management and Budget has failed to respond to the committee’s standing request for additional information on its vague proposal. The administration must offer more than a short white paper to show that its ‘consolidation’ plans would actually reduce bureaucracy or save any money at all.”

Republicans may also be responding to a variety of business groups -- the Chamber of Commerce and National Association of Manufacturers among them -- who announced in January that they opposed any recasting of trade agencies that failed to preserve the stature of the U.S. Trade Representative.

Reorganization will cost political capital

Washington Post 12 ( Washington Post, Government reorganization aren’t easy, history shows 1/13/12) <http://www.washingtonpost.com/blogs/federal-eye/post/president-obama-to-ask-congress-for-power-to-reorganize-agencies-live-video/2012/01/13/gIQAawW9vP_blog.html>

“Every special interest group likes having its own little department, and every congressional chair likes controlling his or her little fiefdom,” Lee added. “Reorganization takes power away from them, because it changes the status quo. What Obama needs to do is two things: One, he needs to find members of Congress who think this is a good idea and are willing to be the workhorses. And second, he needs to create a public constituency who will counter the lobbying by special interest groups. Otherwise, it’ll die like Nixon’s plans did.”

Aff - DSCOVR Turn

Consolidation kills the NOAA

Washington Times 12 (Washington Post, Obama’s reorganization plans earn early criticism,1/17/12) <http://www.washingtonpost.com/blogs/federal-eye/post/obamas-reorganization-plans-earn-early-criticism/2012/01/16/gIQAdTlW4P_blog.html>

Today, NOAA continues promoting commerce through its protection of the nation’s commercial fisheries and by forecasting “space weather” and potential solar electromagnetic radiation and its affects on telecommunications and aviation, Hirn said. Plus, agency officials are preparing several pilot programs that should improve weather forecasting. Any reorganization and rejiggering of agency funding would jeopardize those projects.

Put simply, “If it ain’t broke, don’t fix it,” Hirn said in an e-mail. He said his members, who were caught off-guard by Friday’s announcement, agree.

NOAA is key to DSCOVR that’s key to check the 2013 solar storm

Clark 11 (Stephen Clark, Space Flight Now, NOAA taps DSCOVR satellite for space weather mission 2/21/11) <http://spaceflightnow.com/news/n1102/21dscovr/>

The recent work on the DSCOVR spacecraft was ordered as NOAA considered several replacement options for the aging ACE satellite. Other options included starting from scratch on an entirely new spacecraft and developing a sensor to fly on a commercial satellite.

The space agency would ready the DSCOVR spacecraft for flight and the U.S. Air Force would select a launch vehicle. DSCOVR would be ready for launch by late 2013 if NOAA gets full funding this year.

NOAA wants to launch the satellite by the time the sun reaches solar maximum, the peak of activity in its up-and-down cycle. Forecasters predict the next solar maximum in 2013.

2013 solar flare will kill the economy – kills electricity

Brooks 9 (Michael Brooks, PH.D in quantum physics, “Space storm alert: 90 seconds from catastrophe“, March 23, 2009) <http://www.world-mysteries.com/sci_spaceweather1.htm>

The projections of just how catastrophic make chilling reading. "We're moving closer and closer to the edge of a possible disaster," says Daniel Baker, a space weather expert based at the University of Colorado in Boulder, and chair of the NAS committee responsible for the report.

It is hard to conceive of the sun wiping out a large amount of our hard-earned progress. Nevertheless, it is possible. The surface of the sun is a roiling mass of plasma - charged high-energy particles - some of which escape the surface and travel through space as the solar wind. From time to time, that wind carries a billion-tonne glob of plasma, a fireball known as a coronal mass ejection (see "When hell comes to Earth"). If one should hit the Earth's magnetic shield, the result could be truly devastating.

The incursion of the plasma into our atmosphere causes rapid changes in the configuration of Earth's magnetic field which, in turn, induce currents in the long wires of the power grids. The grids were not built to handle this sort of direct current electricity. The greatest danger is at the step-up and step-down transformers used to convert power from its transport voltage to domestically useful voltage. The increased DC current creates strong magnetic fields that saturate a transformer's magnetic core. The result is runaway current in the transformer's copper wiring, which rapidly heats up and melts. This is exactly what happened in the Canadian province of Quebec in March 1989, and six million people spent 9 hours without electricity. But things could get much, much worse than that.

A fierce solar storm could lead to a global disaster on an unprecedented scale

– it's time to heed the warnings

Though a solar outburst could conceivably be more powerful, "we haven't found an example of anything worse than a Carrington event", says James Green, head of NASA's planetary division and an expert on the events of 1859. "From a scientific perspective, that would be the one that we'd want to survive." However, the prognosis from the NAS analysis is that, thanks to our technological prowess, many of us may not.

There are two problems to face. The first is the modern electricity grid, which is designed to operate at ever higher voltages over ever larger areas. Though this provides a more efficient way to run the electricity networks, minimising power losses and wastage through overproduction, it has made them much more vulnerable to space weather. The high-power grids act as particularly efficient antennas, channelling enormous direct currents into the power transformers.

The second problem is the grid's interdependence with the systems that support our lives: water and sewage treatment, supermarket delivery infrastructures, power station controls, financial markets and many others all rely on electricity. Put the two together, and it is clear that a repeat of the Carrington event could produce a catastrophe the likes of which the world has never seen. "It's just the opposite of how we usually think of natural disasters," says John Kappenman, a power industry analyst with the Metatech Corporation of Goleta, California, and an advisor to the NAS committee that produced the report. "Usually the less developed regions of the world are most vulnerable, not the highly sophisticated technological regions."

According to the NAS report, a severe space weather event in the US could induce ground currents that would knock out 300 key transformers within about 90 seconds, cutting off the power for more than 130 million people (see map). From that moment, the clock is ticking for America.

\*\*Competition Theory

Competition Theory Good

**Competitiveness is the productivity, standard of living and output of a nation**

Blunck 6(Franziska Blunck CAPS a team of experts in business development, capacity building, and cluster competitiveness What is Competitiveness Jun 26, 2006 <http://www.caps.am/data.php/877.pdf> )

For the nation, competitiveness means the ability of the nation's citizens to achieve a high and rising standard of living. In most nations, the standard of living is determined by the productivity with which the nation's resources are deployed, the output of the economy per unit of labor and/or capital employed. A high and rising standard of living for all the nation's citizens can be sustained only by continual improvements in productivity, either through achieving higher productivity in existing businesses or through successful entry into higher productivity businesses. Competitiveness at the national level is measured by the level and growth of the nation's standard of living, the level and growth of aggregate productivity, and the ability of the nation's firms to increase their penetration of world markets through exports or foreign direct investment. (2) Although it is tempting to equate a nation's competitiveness in certain industries or sets of industries with competitiveness at the national level, or with a positive balance of trade, this temptation should be avoided. (3) Comparative advantage dictates that any nation will be competitive in some industries and uncompetitive in others. A positive balance of trade has as much to do with the balance of domestic savings and investment as it does with the intrinsic capabilities of the nation's firms.

Competitiveness is the power the nation has to prevent the fierce international economy to destroy a nations

Blunck 6(Franziska Blunck CAPS a team of experts in business development, capacity building, and cluster competitiveness What is Competitiveness Jun 26, 2006 http://www.caps.am/data.php/877.pdf )

A nation's standard of living is increasingly dependent on the competitiveness of its firms. Competitiveness is vital if the nation's firms are to take advantage of the opportunities presented by the international economy. World trade and foreign investment have grown faster in the last several decades than world output. Competitiveness in industries subject to international trade and foreign direct investment can therefore provide substantial leverage for economic growth. This is especially true for small nations, where competitiveness can allow firms to overcome the limitations of their small home markets in order to achieve their maximum potential. Competitiveness is also vital if a nation's firms are to guard against the threats posed by the international economy. International competition has become fiercer than ever before. Lower costs for transportation and communication, reduced trade barriers, and the spread of technology have combined to sharpen international competition. This competition has put unprecedented pressure on all a nation's economic actors, including management, labor, and government. In an environment in which the nation's firms must continually improve in order to meet the threat from an ever wider array of competitors, the failure of management, labor, or government to meet the challenge can spell disaster for the nation's firms. Competitiveness in the non-traded sector is also vital to the nation's economic health. The non-traded sector is a large portion of each economy. At a time when economic prosperity remains only a dream for most of the world's population, inefficiencies in the non-traded sector should be reduced to the greatest extent possible. In addition, the competitiveness of the non-traded sector has a substantial impact on the competitiveness of the traded sector which relies on it for a wide range of goods and services. An inefficient, bloated non-traded sector can drag down the nation's productivity directly and indirectly through its impact on other non-traded and traded industries. There is a growing realization that nations cannot avoid the rigors of international competition. No nation is totally self-sufficient. Nations are linked to the international economy through trade in goods and services, through international capital flows, and through commodity prices. The experience of developing nations in the 1980s has indicated that attempts to isolate an economy can have lasting detrimental effects. In the modern world, nations can try to run from the world economy, but they cannot hide. This is particularly true for small nations, in which the costs generated by economic isolation in terms of rent seeking and losses in efficiency can be substantial, and for developing nations, in which any loss of efficiency often means higher levels of poverty.

Competition Theory Fails

Competition theory fails – quick diffusion of R&D has resolved the need for competition

Konstantin Kakaes 12, Schwartz fellow at the New America Foundation. Follow him on Twitter, No One Can Win the Future, Jan 9, 2012, <http://www.slate.com/articles/technology/future_tense/2012/01/u_s_scientists_are_not_competing_with_china_or_any_other_country_.html>

Regulations based in the wrongheaded belief in technological competition, like ITAR, hurt American businesses that are trying to export technologies that fall under ITAR’s umbrella (at one point, the export of computers with Pentium chips were banned). But other businesses stand to get boondoggle tax breaks and subsidies in the name of competition. A June Commerce Department report calls for tax breaks to help America compete, arguing that it will spur innovation. (The report called for a five-year vacation from capital gains tax for small business and three years of zero corporate income tax.) If you are ranking countries based on who gives start-ups the most freebies, more tax breaks will always improve your ranking. But will they actually help spur economic growth or innovation?

New ideas are a good thing, but trying to come up with more of them than someone else by throwing money at the problem won’t work. As a 1998 paper by Austan Goolsbee noted, sudden increases in R&D spending tend to just raise salaries for researchers, rather than lead to more research. The same can be said of broad-based tax breaks; investors will make more money, but they won’t necessarily be any more innovative.

Competition rhetoric can be used to incite hysteria—“We are falling behind!”—and to inspire pride—“We’re number one!” Weirdly, the competitiveness crowd often argues both of these at the same time: We are the greatest country on earth even as our schools are failing.

This contradiction can only be resolved by realizing that these rankings were meaningless to begin with. We don’t need to run twice as fast, or rise above any storms, or worry if people in Germany or Japan or China live better than they used to. We shouldn’t worry about American technology spreading to our rivals. Television spread quickly throughout the world; so did the computer, the railway, antibiotics, the car, the automatic washing machine, and any other useful technology you care to name. If this diffusion takes place faster today than it used to (witness the rapid adoption of mobile phones around the world), this is a good thing. It doesn’t hurt America’s ability to “compete” because, as an empirical fact, the economic importance of cooperation trumps that of competition on a national scale. This is bad news for jingoistic politicians and business leaders, but good news for everyone else.

Competiveness is a meaningless concept that politicians use to justify policies

Krugman 94 (Paul Krugman, Professor of Economics at the Massachusetts Institute of Technology, Competitiveness: A Dangerous Obsession, 1994) (39-41)

Finally; many of the world’s leaders have found the competitive

metaphor extremely useful as a political device. The rhetoric of com

petitiveness turns out to provide a good way either to justify hard choic

es or to avoid them. The example of Delors in Copenhagen shows the

usefulness of competitive metaphors as an evasion. Delors had to say

something at the EC summit; yet to say anything that addressed the real

roots of European unemployment would have involved huge political

risks. By turning the discussion to essentially irrelevant but plausible-

sounding questions of competitiveness, he bought himself some time

to come up with a better answer (which to some extent he provided in

Decembers white paper on the European economy- paper that still,

however, retained “competitiveness” in its title).

By contrast, the well-received presentation of Bill Clinton’s initial

economic program in February 1993 showed the usefulness of competitive rhetoric as a motivation for tough policies. Clinton proposed a set

of painful spending cuts and tax increases to reduce the Federal deficit.

Why? The real reasons for cutting the deficit are disappointingly undra

matic: the deficit siphons off funds that might otherwise have been productively invested, and thereby exerts a steady if small drag on U .S. economic growth. But Clinton was able instead to offer a stirring patriotic

appeal, calling on the nation to act now in order to make the economy

competitive in the global market ---— with the implication that dire economic consequences would follow if the United States does not.

Many people who know that “competitiveness” is a largely mean

ingless concept have been willing to indulge competitive rhetoric pre

cisely because they believe they can harness it in the service of good

policies. An overblown fear of the Soviet Union was used in the 1950s

to justify the building of the interstate highway system and the expansion of math and science education. Cannot the unjustified fears about

foreign competition similarly be turned to good, used to justify serious

efforts to reduce the budget deficit, rebuild infrastructure, and so on?

A few years ago this was a reasonable hope. At this point, however, the obsession with competitiveness has reached the point where it

has already begun dangerously to distort economic policies.

A2 Military Competition

Military competition doesn’t create any advantages

Konstantin Kakaes 12, Schwartz fellow at the New America Foundation. Follow him on Twitter, No One Can Win the Future, Jan 9, 2012, <http://www.slate.com/articles/technology/future_tense/2012/01/u_s_scientists_are_not_competing_with_china_or_any_other_country_.html>

Even military technologies that governments strive to keep secret spread quickly. Russia got the atomic bomb within a few years of the United States, as did Britain, France, and China. The Russians made a copy (the Tu-4) within years of the American B-29’s debut. When an American drone crashed in Iran recently, there was much handwringing about the Iranians using the fallen model to create similar technology. But it would be more remarkable if Iran never got its hands on a drone. Whenever a technology becomes useful, whether to the military or to a teenager, it becomes more widely used. When it becomes widely used, a copy is likely to fall into the hands of an adversary, thus spreading the technology.

This isn’t to say that the plans for the newest stealth drone system need to be made open source. It’s reasonable for a country to try and keep some secrets, just as companies try to keep proprietary information under wraps. But we shouldn’t be shocked when these attempts fail—it was in their nature to fail.

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Attempts to limit the spread of technology, like ITAR—the U.S. framework for controlling the export of militarily sensitive technology—never work very well. Being overzealous in their enforcement on the basis of a supposed technological competition just creates a bureaucratic quagmire, without actually securing any military advantage to speak of. If we find ourselves at war with China, we can worry about the question of tactical advantage. (The efforts to counter roadside bombs in Iraq and Afghanistan are a good example of actual technological competition in the narrow sense in which it does take place: not between Iraq and the U.S. as countries, but between the insurgent who wants to explode a roadside bomb and the soldier who wants to prevent it from going off.)

A2 Competition is Zero-Sum

Economic Competitiveness is not a zero sum game

Goldberg 8/20/10 [Jonah, National Review Online, China Wealthy? That's Rich! August 20, 2010 <http://www.aei.org/article/102439>]

But all of this misses the most important point. Economic "competitiveness" is a con. It assumes that when other countries prosper, America loses. That's nonsense. If the average Chinese worker were as rich as the average Japanese worker, it would be an economic windfall for the United States. Conversely, if China's economy imploded tomorrow, we would "gain" competitively but suffer economically. The cult of competitiveness is just a ruse used to justify the ambitions of economic planners and the pundits who worship them.

Countries do not compete – the economy is not a zero sum game

Krugman 94 (Paul Krugman, Professor of Economics at the Massachusetts Institute of Technology, Competitiveness: A Dangerous Obsession, 1994) (34)

How can this be in our interdependent world? Part of the answer is

that the world is not as interdependent as you might think: countries are

nothing at all like corporations. Even today, U.S. exports are only 10 per

cent of the value—added in the economy (which is equal to GNP). That is,

the United States is still almost 90 percent an economy that produces

goods and services for its own use. By contrast, even the largest corporation sells hardly any of its output to its own workers; the “exports” of General Motors·-its sales to people who do not work there - are virtually all

of its sales, which arc more than 2.5 times the corporations value—added.

Moreover, countries do not compete with each other the way

Corporations do. Coke and Pepsi are almost purely rivals; only a negligible fraction of Coca—Cola’s sales go to Pepsi workers, only a negligible Fraction of the goods Coca-Cola workers buy are Pepsi products.

So if Pepsi is successful, it tends to be at Coke’s expense. But the major

industrial countries, while they sell products that compete with each

other, are also each other’s main export markets and each other`s main

suppliers of useful imports. It the European economy does well, it

need not be at US. expense; indeed, if anything a successful European economy is likely to help the U.S. economy by providing it with

larger markets and selling it goods of superior quality at lower prices.

International trade, then, is not a zero—sum game. When productivity rises in japan, the main result is a rise in Japanese real wages;

American or European wages are in principle at least as likely to rise

as to fall, and in practice seem to be virtually unaffected.

It would be possible to belabor the point, but the moral is clear;

while competitive problems could arise in principle, as a practical,

empirical matter the major nations of the world are not to any significant degree in economic competition with each other. Of course,

there is always a rivalry for status and power—countries that grow

faster will see their political rank rise. So it is always interesting to com

pare countries. But asserting that Japanese growth diminishes U.S. status is very different from saying that it reduces the U.S. standard of living-and it is the latter that the rhetoric of competitiveness asserts.

One can, of course, take the position that words mean what we want

them to mean, that all are free, if they wish, to use the term “competitiveness” as a poetic way of saying productivity without actually implying that international competition has anything to do with it. But few

writers on competitiveness would accept this view. They believe that

the facts tell a very different story, that we live, as Lester Thurow put

it in his best-selling book, Heudto Henna in a world of “win—lose” competition between the leading economies. How is this belief possible?

\*\*Impact Defense

A2 Comp → Growth 1/2

Competitiveness doesn’t increase growth

DeMartino 2K [Prof International Studies, Denver (George, Global Economy, Global Justice, p 176]

The neoclassical view of competitiveness can be summarized simply and elucidated quickly. Neoclassicals argue unequivocally that the competitiveness of a nation’s firms simply does not matter for national prosperity. National prosperity is tied most immediately to a nation’s own productivity. A nation’s stagnating income can therefore be traced to stagnation in its own productivity growth – not to decreasing competitiveness vis- à-vis other nations.

The neoclassical vision breaks with the competitiveness-enhancing perspective by focusing on absolute rather than relative productivity gains. Neoclassicals claim that a nation is far better off when its own productivity rate is high, but lower than that of its competitors (Krugman 1994a; McCloskey 1993). This conclusion follows directly from the neoclassical view of distribution in a free market economy. As we have seen, the reward that flows to a provider of a factor of production equals the marginal contribution of that factor. Rising income reflects rising productivity, not increased competitiveness of domestic firms.

Competitiveness is an inaccurate measurement of growth – Mexico proves

Krugman 94 (Paul Krugman, Professor of Economics at the Massachusetts Institute of Technology, Competitiveness: A Dangerous Obsession, 1994) (30-31)

Most PEOPLE who use the term “competitiveness” do so without

a second thought. It seems obvious to them that the analogy

between a country and a corporation is reasonable and that to ask

whether the United States is competitive in the world market is no

different in principle from asking whether

General Motors is competitive in the

North American minivan market.

In fact, however, trying to define

the competitiveness of a nation is

much more problematic than

defining that of a corporation.

The bottom line for 3 corporation

is literally its bottom line: if a corporation cannot afford to pay its workers, suppliers, and bondholders,

it will go out of business. So when we say that a corporation is uncompetitive, we mean that its market position is unsustainable——that unless

it improves its performance, it will cease to exist. Countries, on the

other hand, do not go out of business. They may be happy or unhappy

with their economic performance, but they have no well-defined bot-

tom line. As a result, the concept of national competitiveness is elusive.

One might suppose, naively, that the bottom line of a national

economy is simply its trade balance, that competitiveness can be measured by the ability of a country to sell more abroad than it buys. But

in both theory and practice a trade surplus may be a sign of national

weakness, a deficit a sign of strength. For example, Mexico was forced

to run huge trade surpluses in the 1980s in order to pay the interest on

its foreign debt since international investors refused to lend it any

more money; it began to run large trade deficits after 1990 as foreign

investors recovered confidence and began to pour in new funds.

Would anyone want to describe Mexico as a highly competitive

nation during the debt crisis era or describe what has happened since

1990 as a loss in competitiveness?

Competitiveness is not the root cause of the U.S.’s economic decline.

Howes et. al. 2K

Candace Howes, Professor of Economics at Connecticut College and Ajit Singh, Professo of Econmics at the Queen’s College, University of Cambridge pg. 2 “Competitiveness Matters: Industry and Economic Performance in the U.S.” 2000

Thus in Krugman’s view, the economic problems of industrial countries- unemployment, deindustrialization, slow growth rates of per capita incomes- cannot be attributed to an uncompetitive position in the rivalry between countries (contrary towhat the pop internationalists suggest). Weak performance is due to problems internal to the economies- slow productivity growth, the natural tendency in advanced industrial economies for employment to grow faster in services than manufacturing, and problems associated with regulation, social welfare, and monetary restraint.

A2 Comp → Growth 2/2

Policies grounded on competitiveness won’t be economically effective

Krugman 94 (Paul Krugman, Professor of Economics at the Massachusetts Institute of Technology, Competitiveness: A Dangerous Obsession, 1994) (42-44)

We can already see this process at work, in both the United States

and Europe. In the United States, it was remarkable how quickly the

sophisticated interventionist arguments advanced by Laura Tyson in

her published work gave way to the simple-minded claim by U.S.

Trade Representative Mickey Kantor that ]apan’s bilateral trade surplus was costing the United States millions of jobs. And the trade

rhetoric of President Clinton, who stresses the supposed creation of

hign wage jobs rather than the gains from specialization, left his

administration in a weak position when it tried to argue with the

claims of NAFTA foes that competition from cheap Mexican labor will

destroy the U.S. manufacturing base.

Perhaps the most serious risk from the obsession with competitiveness, however, is its subtle indirect effect on the quality of economic discussion and policymaking. If top government officials are

strongly committed to a particular economic doctrine, their commitment inevitably sets the tone for policy-making on all issues, even

those which may seem to have nothing to do with that doctrine. And

if an economic doctrine is flatly, completely and demonstrably

wrong, the insistence that discussion adhere to that doctrine

inevitably blurs the focus and diminishes the quality of policy discussion across a broad range of issues, including some that are very

far from trade policy per se.

Consider, for example, the issue of health care reform, undoubtedly the most important economic initiative of the Clinton administration, almost surely an order of magnitude more important to

U .S. living standards than anything that might be done about trade policy (unless the United States provokes

a full-blown trade war). Since health care is an issue with few direct inter

national linkages, one might have

expected it to be largely insulated

from any distortions of policy

resulting from misguided concerns about competitiveness.

But the administration placed

the development of the health care plan in the hands of Ira Magaziner,

the same Magaziner who so conspicuously failed to do his homework

in arguing for government promotion of high value—added industries. Magaziner’s prior writings and consulting on economic policy

focused almost entirely on the issue of international competition, his

views on which may be summarized by the title of his 1990 book, The

Silent War. His appointment reflected many factors, of course, not

least his long personal friendship with the first couple. Still, it was

not irrelevant that in an administration committed to the ideology of

competitiveness Magaziner, who has consistently recommended that

national industrial policies be based on the corporate strategy concepts he learned during his years at the Boston Consulting Group,

was regarded as an economic policy expert.

We might also note the unusual process by which the health care

reform was developed. In spite of the huge size of the task force, recognized experts in the health care field were almost completely

absent, notably though not exclusively economists specializing in

health care, including economists with impeccable liberal credentials

like Henry Aaron of the Brookings Institution. Again, this may have

reflected a number of factors, but it is probably not irrelevant that

anyone who, like Magaziner, is strongly committed to the ideology

of competitiveness is bound to have found professional economists

notably unsympathetic in the past—and to be unwilling to deal with

them on any other issue.

To make a harsh but not entirely unjustified analogy, a government

wedded to the ideology of competitiveness is as unlikely to make good

economic policy as a government committed to creationism is to

make good science policy, even in areas that have no direct relation

ship to the theory of evolution.

\*\*Impact Turns

Competition Bad - Econ

The pursuit of a more competitive economy is unrewarding and erodes US leadership

Sanchez, 2[Omar, University of Oxford, Australian Journal of International Affairs, Vol. 56, No. 1, p. 151]

There are three objections in pursuing **a** so-called (euphemistically) **‘**active trade policy’ approach: security interests are compromised, American leadership is eroded and bilateral relationships are strained, and fi nally, there is little gain in way of economic welfare while other economic interests are undermined**.** The 1995 US-Japan auto dispute illustrates all three points. In the brawl, US trade policy was stripped of any signifcance for broader US security and economic policy interests and focused exclusively on promoting exports and jobs in the important but limited automobile sector. For the fi rst time in postwar history top administration offcials actually suggested that this specific trade dispute, if not resolved satisfactorily, could undermine the entire US-Japan security relationship**...** Not only wereUS security interests threatened and broader economic problems such as the declining dollar exacerbated by the dispute**,** but also the agreement that ended the dispute yielded less in terms of quantitative results than a comparable automobile dispute when George Bush was president (Nau 1995, 1). In short, **t**he single-minded pursuit to capture exports and high-wage jobs for the American economy is quite simply unrewarding when a cost-benefi t analysis is made. American legislation such as Section 301 and the so-called ‘Super 301’ of the Trade Act of 1974 allowing the USTR to unilaterally address ‘unreasonable’ or ‘unjusti􏰜 able’ foreign practices affecting US commerce, should be scrapped from the books. They are reminiscent of US annual drug certi􏰜 cation process, where the United States sits as sole judge (by self-appointment) of other countries’ efforts in 􏰜 ghting drug cartels. Much the same can be said about extraterritorial laws that affect third parties dealing with demonised countries such as Cuba or Iran. In the eyes of much of the rest of the world, all these legislative initiatives underscore American arrogance—and in many cases contempt for international legal agree- ments. US leadership is eroded as a result. And so is its credibility in establishing rule-based international security and trade regimes.

Competition Bad – Protectionism 1/3

Competitiveness leads to ineffective and protectionist trade practices

Cable, 1995[Vincent, LibDem trade spokesman and former Shell Chief Economist, International Affairs, Vol. 71, No. 2, p. 310-312]

Is the 'competitiveness' issue, then, a non-issue? If politicians prefer to call a spade a digging instrument, and believe that human beings are more easily motivated to improve productivity by a sense of international competition-like schoolchildren organized into 'houses'-why should it matter? Paul Krugman, among others, regards the obsession with competitiveness as 'dangerous'.'5 Krugman's concerns are several. One is that this obsession will lead to wasteful spending on quasi-economic activities designed to enhance 'competitiveness', much as superpower competition in the security domain led to massive 'overkill'. In practice, this has not happened. The main initiatives taken to advance infrastructure provision in the interest of'competitiveness'-Mr Gore's information 'superhighway' and the less clearly articulated European equivalent under Mr Bangemann-have essentially been steps to accelerate deregulation. A more serious concern is that governments will be tempted to use trade policy to try to reverse adverse tendencies in competitiveness. As Krugman puts it, 'the focus on the supposedly competitive nature of international economic relations greases the rails for those who want confrontational, if not frankly protectionist, policies."6 Laura Tyson argued before her appointment to the Chair of President Clinton's Council of Economic Advisers that comparative advantage in 'strategic' high-tech industries 'can be created by government action'.'7 These industries which include microelectronics, biotechnology, new materials, telecommunications, civilian aircraft, machine tools, and computing hardware and software-have no natural home, she argues, other than an assemblage of innovators and technologically attuned brains. There is concern that the US, and also Germany and the UK, have seen their share of world high technology exports shrink in relation to Japan and the Asian NICs. A 'geo-economics' perspective leads to the conclusion that adverse trends can be countered by active government promotion of 'strategic' industries. There is, however, serious doubt as to whether most governments are very good at picking future high-tech industries or know how to nurture them until they are fully competitive. One recent study concludes that whatever advantages may have accrued in the past, or to countries like Japan when they were technological followers, 'techno-nationalism ... does not work very well any more' .i8 That is not to say that governments are unimportant; there is a useful, if elusive, mixture of policies to promote quality education, scientific enquiry, government-business relationships in advanced technology sectors and fiscal or institutional support for venture capital which can be important in getting high technology industries off the ground. If the competitiveness debate were simply about countries trying to improve such a mix of policies it would be uncontroversial. But, in practice, such subtleties are of little interest to those hungry for the red meat of geo-economics. Increases in productivity and living standards are not important for their own sake: 'under geo-economics, private commerce ... would have to precariously exist with the currently subsidised exports, government tended technology programmes, enticing low interest credit, one-sided licensing restrictions ... of states bent on economic aggrandisement. That all such practices are apt to reduce the living standards of economic aggressors even before they reduce those of their victims is [unlikely] ... to dissuade geo-economic ambitions."9 While it is difficult to see much evidence that Western governments are moving decisively towards 'geo-economic' thinking, there has been a powerful upsurge in populist forms of protectionism, fed by the idea- promulgated by the likes of Ross Perot and, more recently in Europe, by Sir James Goldsmith-that foreign trade is a threat to jobs and living standards. The fallacies embodied in these ideas have been set out in considered detail elsewhere.20 The practical consequence of their popularity is that geo- economic ideas can become embedded politically, in particular the belief that international economic integration is a win-lose, zero-sum game. Thus the groundwork is laid for protectionism in all its forms.

Competition Bad – Protectionism 2/3

Competitiveness fuels misspending and trade wars

Krugman 94 (Paul Krugman, Professor of Economics at the Massachusetts Institute of Technology, Competitiveness: A Dangerous Obsession, 1994) (41-42)

THINKING AND SPEAKING in terms of competitiveness poses three

real dangers. First, it could result in the wasteful spending of government

money supposedly to enhance U.S. competitiveness. Second, it could

lead to protectionism and trade wars. Finally and most important, it

could result in bad public policy on a spectrum of important issues.

During the 19505, fear of the Soviet Union induced the U.S. government to spend money on useful things like highways and science

education. It also, however, led to considerable spending on more

doubtful items like bomb shelters. The most obvious if least worrisome danger of the growing obsession with competitiveness is that it

might lead to a similar misallocation of resources. To take an example, recent guidelines for government research funding have stressed

the importance of supporting research that can improve U.S. inter

national competitiveness. This exerts at least some bias toward inventions that can help manufacturing firms, which generally compete on

international markets, rather than service producers, which generally

do not. Yet most of our employment and value-added is now in services, and lagging productivity in services rather than manufactures

has been the single most important factor in the stagnation of U.S.

living standards.

A much more serious risk is that the obsession with competitive

ness will lead to trade conflict, perhaps even to a world trade war. Most of those who have preached the doctrine of competitiveness

have not been old—fashioned protectionists. They want their countries

to win the global trade game, not drop out. But what despite its

best efforts, a country does not seem to the winning, or lacks

confidence that it can? Then the competitive diagnosis inevitably suggests that to close the borders is better than to risk having foreigners

take away high wage jobs and high-value sectors. At the very least, the focus on the supposedly competitive nature of international economic relations greases the rails for those who want confrontational if not frankly protectionist policies.

Competitiveness leads to protectionism and trade wars

Reinert et al. ‘9 – Prof of Public Policy and Director of the International Commerce and Policy Program @ George Mason

[Kenneth A, The Princeton encyclopedia of the world economy, Volume 1 (212)

Competitiveness One of the effects of the focus on competitive advantage since the 1980s has been an increased fascination with competitiveness rankings of countries. Two examples of this arc the Global Competitiveness Report by the World Economic Forum (WKF), and the World Competitiveness Center's Yearbook. Such listings seek to rank countries in terms of competitiveness using a range of criteria such as economic performance, government efficiency, business efficiency, and infrastructure. The 2006 rankings of the WKF placed Switzerland. Sweden, and Finland respectively in the top three places in the world. It should be pointed out. however, that it is comparative, not competitive, advantage that determines what goods a country specializes in. This is because trade is a positive-sum game in which all countries gain, not a zero-sum game in which one country gains only at the expense of another. The point is well made by Paul Krugman in a short essay first written in l994 in which he comments on what he tailed the "dangerous obsession" with competitiveness (Krugman 19%). Using the example of Japan achieving a higher level of productivity than the United States, Krugman writes, "While competitive problems could arise in principle, as a practical, empirical matter, the major nations of the world are not to any significant degree in economic competition with each other. Of course, there is always a rivalry for status and power—countries that grow faster will see their political rank rise. So it is always interesting to compare countries. But asserting that Japanese growth diminishes US status is very different from stating that it reduces the US standard of living—and it is the latter that the rhetoric of competitiveness asserts" (Krugrnan I'''JO. 10). Achieving a national competitive advantage is important in enabling some countries to grow faster than others. An obsession with competitiveness, however, is dangerous, as Krugman argues, because it can lead to protectionism and trade conflict, as well as misguided publics spending designed to create and sustain a national competitive advantage over other trading partners and the promotion of national champions.

Competition Bad – Protectionism 3/3

Competitiveness makes for protectionist policies and worsens the economy

Cable, 1995[Vincent, LibDem trade spokesman and former Shell Chief Economist, International Affairs, Vol. 71, No. 2, p. 310-311]

The most pervasive danger in the competitiveness obsession is that it shifts the attention of policy-makers away from those things which affect absolute economic performance and living standards towards the 'threat' of relative decline. Thus Samuel Huntington worries that 'American influence in third countries declines relative to that of Japan ... Japan has supplanted the US as the largest provider of economic assistance.'2I In this sense, geo-economics is doomed to frustration, since technological catch-up and liberal policy reform mean that emerging market economies are almost certainly bound to grow faster than the US (or EU), which will consequently have a steadily shrinking share of world GNP and trade. Britain has had to get used to relative decline for a century or more and the process is by no means complete. Such relativities should be a matter of indifference but, in practice, states, like individuals, are often more agitated by differential than absolute performance. And in the context of geo-economics relativities trigger alarm because they are seen as affecting the capacities of countries to defend themselves. Geo-economic prescriptions-where this involves protectionism-may, however, actually make the problem, if it is one, worse.

Competitiveness fuels protectionism and trade wars

Berger & Bristow ‘9 – School of City and Regional Planning, Cardiff University   
[Thomas, lecturer at the FOM Fachhochschule fuer Oekonomie und Management in Stuttgart, Germany & Gillian, “Competitiveness and the Benchmarking of Nations—A Critical Reflection”, Sept 9, Springerlink]

As a consequence, there has been growing critique of the concept of national

competitiveness and the rather flimsy theoretical base on which it rests. Krugman (1997,

7) summarizes the confusion which surrounds the meaning of national competitiveness

with his assertion that it is largely defined in vague and approximate terms “as the

combination of favorable trade performance and something else". This is referring to

the fact that most definitions. Must like the one by the OECD (1992)—refer to the

ability to sell concept. This is often accompanied with a call for a strategic

management on the national level, focusing on high-value added activities, exports

or innovation, depending on the underlying concept. The danger here is that such

rhetoric is used to justify protectionisrn and trade wars. Krugman (1994, 1997) goes on

to argue mat national competitiveness is either a new word for domestic productivity

or meaningless political rhetoric. Whilst nations may compete for investments if

companies seek new business locations, this represents only a minor fraction of

economic activities for bigger economies, Furthermore, this is often connected with

subsidies or tax reductions to attract such investments. This strategic management for

the attraction of investment and the fostering of exports is, according to Krugman,

little more than political rhetoric, designed to promote an image rather than secure

clear and unambiguous economic dividends,. Similarly, Cohen (1994, l96) describes

the notion of national competitiveness in terms of "Presidential metaphors, [trying] to

encapsulate complicated matters for purposes of political mobilization", perhaps

implying that national competitiveness might be better understood in the fields of

political science and place marketing. Indeed. growing interest in the notion of

competitiveness as a hegemonic construct or discourse provides Further strength to the

view that its value lies beyond that of an economic model or concept, but rests instead

with its capacity to mobilize interest-related action (Bristow 2005). As such, this paper

focuses on the utility of national indices of competitiveness, particularly for policy-

makers and key interest groups promoting it.

Prefer the Impact Turns

Be skeptical of their competitiveness good arguments – the rhetoric doesn’t connect to effective policies

Krugman 94 (Paul Krugman, Professor of Economics at the Massachusetts Institute of Technology, Competitiveness: A Dangerous Obsession, 1994) (44)

lf the obsession with competitiveness is as misguided and damaging as this article claims, why aren’t more voices saying so? The

answer is, a mixture of hope and Fear.

On the side of hope, many sensible people have imagined that they

can appropriate the rhetoric of competitiveness on behalf of desirable

economic policies. Suppose that you believe that the United States

needs to raise its savings rate and improve its educational system in

order to raise its productivity {Even if you

iden know that the benefits of

higher productivity have nothing to do with international competition, why not describe this as a policy to enhance competitiveness if

you think that it can w your audience? lt’s tempting to pander to

popular prejudices on behalf of a good cause, and I have myself succumbed to that temptation.

As for fear, it takes either a very courageous or very reckless economist to say publicly that a doctrine that many, perhaps most, of the

worlds opinion leaders have embraced is flatly wrong. The insult is

all the greater when many of those men and women think that by

using the rhetoric of competitiveness they are demonstrating their

sophistication about economics. This article may influence people,

but it will not make many friends.

Unfortunately. those economists who have hoped to appropriate

the rhetoric of competitiveness for good economic policies have

instead had their own credibility appropriated on behalf of bad ideas

And somebody has to point out when the emperors intellectual

wardrobe isn't all he thinks it is.

So let’s start telling the truth: competitiveness is a meaningless

word when applied to national economies. And the obsession with

competitiveness is both wrong and dangerous.

Protectionism Bad – Trade Wars

**Protectionism causes a global nuclear war**

Spicer ’96. (Michael, economist and member of British Parliament, The Challenge from the East and the Rebirth of the West, pg. 121)

The choice facing the West today is much the same as that which faced the Soviet bloc after World War II: between meeting head-on the challenge of world trade with the adjustments and the benefits that it will bring, or of attempting to shut oue t markets that are growing and where a dynamic new pace is being set for innovative production. The problem about the second approach is not simply that it won’t hold: satellite technology alone will ensure that the consumers will begin to demand those goods that the East is able to provide most cheaply. More fundamentally, it will guarantee the emergence of a fragmented world in which natural fears will be fanned and inflamed. A world divided into rigid trade blocs will be a deeply troubled and unstable place in which suspicion and ultimately envy will possibly erupt into a major war. I do not say that the converse will necessarily be true, that in a free trading world there will be an absence of all strife. Such a proposition would manifestly be absurd. But to trade is to become interdependent, and that is a good step in the direction of world stability. With nuclear weapons at two a penny, stability will be at a premium in the years ahead.

Trade is key to check global nuclear war

Copley News Service 99 (Copley News Service, 12/1/1999) Lexis Nexis

For decades, many children in America and other countries went to bed fearing annihilation by nuclear war. The specter of nuclear winter freezing the life out of planet Earth seemed very real.

Activists protesting the World Trade Organization's meeting in Seattle apparently have forgotten that threat. The truth is that nations join together in groups like the WTO not just to further their own prosperity, but also to forestall conflict with other nations. In a way, our planet has traded in the threat of a worldwide nuclear war for the benefit of cooperative global economics.Some Seattle protesters clearly fancy themselves to be in the mold of nuclear disarmament or anti-Vietnam War protesters of decades past. But they're not. They're special-interest activists, whether the cause is environmental, labor or paranoia about global government.

Actually, most of the demonstrators in Seattle are very much unlike yesterday's peace activists, such as Beatle John Lennon or philosopher Bertrand Russell, the father of the nuclear disarmament movement, both of whom urged people and nations to work together rather than strive against each other. These and other war protesters would probably approve of 135 WTO nations sitting down peacefully to discuss economic issues that in the past might have been settled by bullets and bombs.

As long as nations are trading peacefully, and their economies are built on exports to other countries, they have a major disincentive to wage war. That's why bringing China, a budding superpower, into the WTO is so important. As exports to the United States and the rest of the world feed Chinese prosperity, and that prosperity increases demand for the goods we produce, the threat of hostility diminishes.

Many anti-trade protesters in Seattle claim that only multinational corporations benefit from global trade, and that it's the everyday wage earners who get hurt. That's just plain wrong.

First of all, it's not the military-industrial complex benefiting. It's U.S. companies that make high-tech goods. And those companies provide a growing number of jobs for Americans. In San Diego, many people have good jobs at Qualcomm, Solar Turbines and other companies for whom overseas markets are essential. In Seattle, many of the 100,000 people who work at Boeing would lose their livelihoods without world trade.

Foreign trade today accounts for 30 percent of our gross domestic product. That's a lot of jobs for everyday workers.

Growing global prosperity has helped counter the specter of nuclear winter. Nations of the world are learning to live and work together, like the singers of anti-war songs once imagined. Those who care about world peace shouldn't be protesting world trade. They should be celebrating it.

Protectionism Bad - Competitiveness

Protectionism kills competitiveness

Protesilaos 12 (Stavrou Protesilaos, studied European politics, law and economics in Cyprus, National competitiveness and the protectionist race to the bottom, 3/28/12) <http://protesilaos.blogactiv.eu/2012/03/28/national-competitiveness-and-the-protectionist-race-to-the-bottom/>

This is an approach that makes everyone worse off, by leading us to a suboptimal level of production. Protectionist policies are harmful for two reasons, an internal and an external one:

On their internal dimension, they protect local producers from international competition, by either subsiding their products to make them artificially less expensive, and/or by increasing the costs on imports, so that the two can compete. Protecting local producers from international competition, means that the explicit and implicit costs will ultimately fall on local taxpayers and consumers. Taxpayers are the ones who ultimately finance the subsidies and the necessary bureaus and mechanisms that keep the trade barriers in place; while consumers are faced with limited options in terms of quality and quantity and/or with higher prices, than what would have been the optimal level of choice, quality and price, should no barriers exist. Local producers gain an advantage over local consumers and taxpayers, eventually strengthening their bargaining power, i.e. political influence, that is ultimately exerted on decision-makers to extract even more benefits.

And though protectionist measures might seem beneficial at first sight, in the sense that local businesses and employment positions remain in place, “saved” from the “destructive” forces of international competition, in truth they are harmful for the local economy as the disposable income of consumers diminishes. Had it existed it could otherwise be channeled into savings or investments or even additional consumption. Meanwhile the privileged producers become complacent, by the artificial lack of international competition, making them less productive, innovative and robust.

In a nutshell the local economy is denied much of its potential. The measures that are implemented to protect local production and jobs, actually succeed in destroying jobs and weakening production.

On their external dimension, protectionist measures make the entire population of international competitors worse off (especially of emerging economies). The foreign producers are faced with higher export costs, which means that much of their potential income is lost. If they were not faced with trade barriers they could use that additional profit to save more or invest in modernizing their facilities or in adding it to aggregate savings that could then be used for investments in infrastructure or to boost consumption or in any other productive activity that would eventually raise their standard of living. In short much of the potential income of the exporting economy is lost in efforts to comply with “standards” and red tape. Meanwhile foreign consumers also lose out, since the increased costs for producers of exported goods can be rolled over to them, directly or indirectly, by means of higher prices or fewer employment opportunities, or lower wages and other social benefits. Ultimately this is a replication of the negative effects of protectionism on local consumers and taxpayers.

The moral is that over the longer term everyone is worse off wherever protectionism exists.

Protectionism Bad - Growth

Free Trade is empirically key to economic prosperity

Boudreaux 11(Donald J. Boudreaux, Professor of Economics and Chairman of the Department of Economics at George Mason University, Free Trade vs. Protectionism, August 31, 2011) <http://www.learnliberty.org/content/free-trade-v-protectionism>

Free trade is simply a policy of treating foreign goods and services no differently than domestic goods and services are treated. Free trade is a policy of allowing domestic consumers to buy from abroad just as freely as they can buy at home. Protectionism is a policy of discriminating against foreign goods and services, a policy of saying to domestic consumers, “If you want to buy foreign-made goods and services, you have to jump through some extra large hurdles to buy those goods and services.”

By far, the chief tool of protectionism is a tariff, and a tariff is a tax on imports. It’s a special levy that consumers in the home economy are forced to pay if they want to buy goods made abroad. In practice, the tariffs are imposed on the importers of the good, and so that higher tax is reflected in a higher price of the good. So, when consumers buy the good, they don’t necessarily see the tariff, they just see the price that reflects the tariff that the importer of the good is forced by the government to pay for the privilege of importing that good.

Free trade is not just a theory; it’s been practiced. The greatest example is Hong Kong. Hong Kong has virtually no natural resources; I think feldspar is the chief natural resource of Hong Kong. And Hong Kong is one of the world’s most wealthy places. And the reason Hong Kong is wealthy is because for years Hong Kong has had a policy of pretty much unilateral free trade. It has a deep water port, and it allows its citizens to buy, on whatever terms its citizens want to buy, goods and services from wherever else in the world they want to buy those goods and services. As a result, Hong Kong is very, very rich.

The United States is another example of success of free trade. One of the intended consequences of the 1787 Constitution was to turn the United States into a free-trade zone. The Founders didn’t use the term “free-trade zone,” because it wasn’t invented back then, but that’s what they had in mind. So as a consequence, we have this huge transcontinental country, from the Atlantic to the Pacific, from the Gulf Coast up to Canada, Americans are free to buy from any other American that they want in this huge free-trade zone. And so people in Maine buy pineapples from people in Hawaii, people in Hawaii buy maple syrup from people in Maine.

One of the reasons for the United States’ enormous economic growth over the past 2 centuries and high standard of living is that we have total free trade within America. There are no tariffs, there are no trade restrictions. If protectionism was such a dandy thing, then you’d think each state could make its citizens wealthier by putting up trade restrictions around the states’ borders. They don’t do that, fortunately, because the Commerce Clause in the Constitution prohibits such trade restrictions. As a consequence, we have this huge free-trade zone in America and it’s unquestionable that the free trade that takes place within this huge transcontinental nation is a major reason for Americans’ high standard of living and continued economic growth.

Protectionism kills standard of living

Blinder 8{ <http://www.econlib.org/library/Enc/FreeTrade.html> ; Free Trade; Alan S. Blinder; professor of economics at Princeton university: served as vice chairman of the Federal Reserve’s Board of Governors and as a member of President Bill Clinton’s Council of Economic Advisers; 2008}

For more than two centuries economists have steadfastly promoted free trade among nations as the best trade policy. Despite this intellectual barrage, many “practical” men and women continue to view the case for free trade skeptically, as an abstract argument made by ivory tower economists with, at most, one foot on terra firma. These practical people “know” that our vital industries must be protected from foreign [**competition**](http://www.econlib.org/library/Enc/Competition.html).

The divergence between economists’ beliefs and those of (even well-educated) men and women on the street seems to arise in making the leap from individuals to nations. In running our personal affairs, virtually all of us exploit the advantages of free trade and comparative advantage without thinking twice. For example, many of us have our shirts laundered at professional cleaners rather than wash and iron them ourselves. Anyone who advised us to “protect” ourselves from the “unfair competition” of low-paid laundry workers by doing our own wash would be thought looney. Common sense tells us to make use of companies that specialize in such work, paying them with money we earn doing something we do better. We understand intuitively that cutting ourselves off from specialists can only lower our standard of living.

Trade War Bad

A Trade War is the most likely chance for Extinction

Knowledge Wharton 09(Knowledge Wharton, Law and Public Policy Forum of Upenn, What's Next for the World Economy: Possible Trade War? 2/18/09) <http://knowledge.wharton.upenn.edu/article.cfm?articleid=2165>

The term "trade war" strikes a nerve in me. More than 30 years ago, I remember taking an economics class at college where the professor, an avid Bible prophecy reader, mentioned that the most feasible end-time scenario would be one where an international trade war begins the process.

We asked, "Why is that?" He answered, in effect, "Because it would disrupt the world economic system to the point where unemployment would reach unacceptable levels and nations would turn inward for solutions, hoarding the money for themselves and causing further economic decline. People would then demand that a different economic system emerge that placed jobs, security and order over freedom and a free-market system."

This is precisely what happened in Germany in the 1930s, as the trade war and economic and political weaknesses helped bring Adolf Hitler to power and led to World War II.

For several decades, we have not experienced the devastating effects of a trade war. As long as international trade continues, each country contributes to the welfare of the others and each can help prop the others up. But a trade war turns your economic friend into an adversary and generates much ill will. In a short time, a trade war can even lead to outright military conflict.

\*\*K Stuff

K Link

Competitiveness is the effort for governments to dominate other nations

Cable, 1995[Vincent, LibDem trade spokesman and former Shell Chief Economist, International Affairs, Vol. 71, No. 2, p. 308-309]

Governments do not treat national economies only as means of enriching their citizens. The British economist, Hawtrey, wrote of a world where 'the major concern of the state is prestige. The means to prestige is power. Power is economic productivity capable of being applied as a force.'4 Samuel Huntington has expressed the same point in a modern idiom: 'Economists are blind to the fact that economic activity is a source of power as well as well-being. It is, indeed, probably the most important source of power and, in a world in which military conflict between major states is unlikely, economic power will be increasingly important in determining the primacy or subordination of states.'5 The model which is implicit in this view is a kind of zero sum game in which the gains of one country (primacy) are seen as cancelling out the losses of another (subordination) even if both achieve growing prosperity. It has been called 'geo-economics' by Edward Luttwak6: 'the pursuit of adversarial goals with commercial means'. National security involves winning this economic war. 'Geo-economics', or what Theodore Moran calls 'an economics agenda for neo-realists',7 is heavily influenced by US concerns over Japan and US assumptions about Japanese economic thinking. Samuel Huntington, who sees the central issue being a loss of US 'primacy' to Japan, declares: 'Japanese strategy is a strategy of economic warfare ... Japanese strategy, behavior and declarations all point to the existence of a cold war between Japan and the United States. Within this context, attention has been focused on the idea of national 'competitiveness' and on the persistent US trade and current account imbalances which are seen as leading to the accumulation of external debt and inward foreign investment and ownership (leading to 'dependence' on foreigners, especially the Japanese, for 'strategic' technologies).

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Competitiveness Key to Growth 1/3

Weak competitiveness kills productivity, quality of life and the economy

Howes et. al. 2K

Candace Howes, Professor of Economics at Connecticut College and Ajit Singh, Professo of Econmics at the Queen’s College, University of Cambridge pg. 180 “Competitiveness Matters: Industry and Economic Performance in the U.S.” 2000

In the introduction to this book, Howes and Singh (1999) argued that there are good analytical and empirical reasons for the view that relative productivity growth and the relative competitiveness of a country’s export sector matter profoundly to its overall economic performance. With so much trade based on nonprice competitiveness, the trade balance can rarely be achieved solely through exchange rate manipulation or only at great cost in terms of employment and real income growth. Moreover, greater productivity growth abroad, as a result of faster technical progress there, is likely to have negative consequences for productivity growth in the home economy unless corrective measures are taken to enhance the country’s technological capabilities. Thus even an advanced country cannot afford to ignore its international competitive position if it wishes to improve its standard of living in the long run.

Contrary to Krugman’s (1994) argument, competitiveness matters. Otherwise, in a world of wage-price inflexibility, external balance is achieved only through adjustments in a country’s rate of growth relative to that of its trading partners. Furthermore, due to cumulative causation, a country that is investing and innovating at a slower rate than its competitors will fall even further behind, requiring slower and slower relative growth. Real incomes will fall, inequality will increase, and employment will stagnate.

Competitiveness is key to high level of productivity and high standard of living – empirics prove

Hämäläinen ‘03

Professor Timo J. Hämäläinen, Finnish National Fund for Research and Development, Finland. Pg. 7 “National Competitiveness and Economic Growth: The Changing Determinants of Economic Performance in the World Economy” 2003

If a country has a significant real competitive advantage in sectors where the level of productivity is both high and rapidly increasing, its standard of living will be higher and develop more favorably than it would without such an advantage. Since the lack of real competitiveness in high productivity (growth) sectors can only be compensated with lower prices and costs an uncompetitive economy must either select a low-price, low-cost strategy, if feasible in a particular sector; or specialize in other sectors where it is. Such price- and cost-driven sectors tend to be rather labor-intensive and involve mature technologies. National specialization on these kinds of sectors means lower productivity growth and standards of living than specialization on sectors in which competitiveness is primarily based on non-price factors. Hence, the nature and sectoral composition of a nation’s competitive advantage is a crucial determinant of the level and growth of its aggregate productivity, and consequently the nation’s living standards.

Competitiveness Key to Growth 2/3

**Competitiveness key to reverse deficit**

Corden 1990

W. Max Corden, Professor of International Economics at the School of Advanced International Studies "American Decline and the End of Hegemony," SAIS Review, Vol. 10, no. 2 (Summer-Fall 1990), pp. 13-26 https://www.mtholyoke.edu/acad/intrel/pol116/corden.htm 1990

It is not always understood that the supposed loss of competitiveness of the United States is directly related to the budget deficit. The impression that the United States has become less competitive results from the simple fact that for some years imports were growing faster than exports so that the United States has now a large and apparently continuing trade deficit. The rising share of imports in the total absorption of goods and services has been very visible in particular fields, such as automobiles. The depreciation of the dollar since 1985 has actually helped to make American industry more competitive in world markets, but the depreciation has so far not been enough actually to reverse the trade imbalance.

It is worth looking at some figures here to see just what has happened to real U.S. exports and imports of goods and services and to compare them with those of Japan.8 U.S. export growth declined sharply from 1981, so it is best to look at the whole period 1981-88. Over this period exports grew at an annual average rate of 4.3 percent. At the same time imports grew at 7.6 percent. This brings out the nature of the generally perceived problem. By contrast Japan's exports grew 6.7 percent and its imports 5.7 percent. The perceptions of loss of U.S. competitiveness are really based on the very poor U.S. export performance during the period of dollar appreciation 1981-85 when export growth was negative on average. In 1986 exports started growing again, and in 1987 they increased 13.5 percent and in 1988 17.6 percent--surely an indication of improved competitiveness, and a lot better than the figures for Japan for the same years (3.8 percent and 8.1 percent, respectively).

The supposed competitiveness decline is not itself the problem; rather it is a symptom of a problem. It has nothing to do with trade restrictions in other countries or even the United States. Rather it has everything to do with saving, investment and the budget deficit. Since U.S. private savings are now not even sufficient to finance U.S. private investment, it has been inevitable that, through the mechanism of higher interest rates, foreign savings would be drawn in to finance the budget deficit. This does not, of course, mean that all Treasury bills are sold to foreigners-though some are-but that the diversion of domestic savings to finance the deficit raises interest rates, which then draws in capital from abroad to finance U.S. private investment. Foreign funds fill the gap between total U.S. savings and investment. This inevitably means that there has to be a current account deficit which is brought about mainly through a trade deficit. There are other OECD countries which also have quite high budget deficits, but they also have high private savings ratios, so that a current account deficit does not result.

Competitiveness Key to Growth 3/3

**American Economic leadership key to prevent world economic collapse**

Mandelbaum 2005 – Professor and Director of the American Foreign Policy Program at Johns Hopkins – 2005 [Michael, The Case for Goliath: How America Acts As the World’s Government in the Twenty-First Century, p. 192-195]

Although the spread of nuclear weapons, with the corresponding increase in the likelihood that a nuclear shot would be fired in anger somewhere in the world, counted as the most serious potential consequence of the abandonment by the United States of its role as the world's government, it was not the only one. In the previous period of American international reticence, the 1920s and 1930s, the global economy suffered serious damage that a more active American role might have mitigated. A twenty-first-century American retreat could have similarly adverse international economic consequences. The economic collapse of the 1930s caused extensive hardship throughout the world and led indirectly to World War II by paving the way for the people who started it to gain power in Germany and Japan. In retrospect, the Great Depression is widely believed to have been caused by a series of errors in public policy that made an economic downturn far worse than it would have been had governments responded to it in appropriate fashion. Since the 1930s, acting on the lessons drawn from that experience by professional economists, governments have taken steps that have helped to prevent a recurrence of the disasters of that decade.' In the face of reduced demand, for example, governments have increased rather than cut spending. Fiscal and monetary crises have evoked rescue efforts rather than a studied indifference based on the assumption that market forces will readily reestablish a desirable economic equilibrium. In contrast to the widespread practice of the 1930s, political authorities now understand that putting up barriers to imports in an attempt to revive domestic production will in fact worsen economic conditions everywhere. Still, a serious, prolonged failure of the international economy, inflicting the kind of hardship the world experienced in the 1930s (which some Asian countries also suffered as a result of their fiscal crises in the 1990s) does not lie beyond the realm of possibility. Market economies remain subject to cyclical downturns, which public policy can limit but has not found a way to eliminate entirely. Markets also have an inherent tendency to form bubbles, excessive values for particular assets, whether seventeenth century Dutch tulips or twentieth century Japanese real estate and Thai currency, that cause economic harm when the bubble bursts and prices plunge. In responding to these events, governments can make errors. They can act too slowly, or fail to implement the proper policies, or implement improper ones. Moreover, the global economy and the national economies that comprise it, like a living organism, change constantly and sometimes rapidly: Capital flows across sovereign borders, for instance, far more rapidly and in much greater volume in the early twenty-first century than ever before. This means that measures that successfully address economic malfunctions at one time may have less effect at another, just as medical science must cope with the appearance of new strains of influenza against which existing vaccines are not effective. Most importantly, since the Great Depression, an active American international economic role has been crucial both in fortifying the conditions for global economic well-being and in coping with the problems that have occurred, especially periodic recessions and currency crises, by applying the lessons of the past. The absence of such a role could weaken those conditions and aggravate those problems. The overall American role in the world since World War II therefore has something in common with the theme of the Frank Capra film It's a Wonderful Life, in which the angel Clarence, played by Henry Travers, shows James Stewart, playing the bank clerk George Bailey, who believes his existence to have been worthless, how life in his small town of Bedford Falls would have unfolded had he never been born. George Bailey learns that people he knows and loves turn out to be far worse off without him. So it is with the United States and its role as the world's government. Without that role, the world very likely would have been in the past, and would become in the future, a less secure and less prosperous place. The abdication by the United States of some or all of the responsibilities for international security that it had come to bear in the first decade of the twenty-first century would deprive the international system of one of its principal safety features, which keeps countries from smashing into each other, as they are historically prone to do. In this sense, a world without America would be the equivalent of a freeway full of cars without brakes. Similarly, should the American government abandon some or all of the ways in which it had, at the dawn of the new century, come to support global economic activity, the world economy would function less effectively and might even suffer a severe and costly breakdown. A world without the United States would in this way resemble a fleet of cars without gasoline.

Protectionism Good 1/2

Protectionism is key to the economy

Welker 08(Jason Welker teaches International Baccalaureate and Advanced Placement Economics at Zurich International School in Switzerland, A call FOR protectionism!, 11/17/08) <http://welkerswikinomics.com/blog/2008/11/17/a-call-for-protectionism/>

Free trade is an ideal. This is a theme of my IB Economics class which I emphasize repeatedly during year two of the course. Free trade, defined as the exchange of goods, services, resources, and financial assets based on the principle of comparative advantage, results in a more efficient allocation of the world’s resources, an increase in total world output and welfare, and increases the opportunity for growth and development for all countries that prescribe to its principles. This is the ideal, at least.

In the real world, free trade is rarely practiced. Free trade agreements between nations represent managed trade; the selected removal of protections such as tariffs, quotas and subsidies on the exchange of particular goods does not represent free trade, rather managed trade. The problem with free trade in the real world is simply that it has never been truly practiced, therefore the adjustments that both developed and developing countries would have to undergo to adopt widespread free trade would be extremely disruptive both economically and socially. Entire industries would disappear from the developed countries as manufacturing resources were reallocated to low cost countries. Poor countries trying to build their manufacturing industries would lose any competitive advantage offered by protectionism, forcing their “infant industries” to wither and die in the face of global competition from countries that long ago achieved economies of scale in manufacturing. Farmers used to heavy subsidies would see their livelihoods disappear as the world’s food would be sourced from the countries with true comparative advantages in agriculture. Simply stated, the social costs of the widespread adoption of free trade are not politically palatable, thus leaders have only hesitantly pursued this ideal on the world stage.

For decades, America has stood for the ideal of free trade, proselytizing its advantages and urging developing countries to reduce or remove their barriers to the free flow of resources and goods from nation to nation. Today, however, the United States faces the very fate free trade prophesized as its own automobile industries teeters on the edge of collapse. As many as 3 million American jobs stand to be lost if the auto industry goes under. Today, America faces the ultimate test of its will to stand for and defend free trade in the world. Should America erect new barriers to trade, bail out its auto industry, and save this dying sector from collapse to avoid the political hardships its death would incur? Or should America stand for the ideal of market liberalization and allow the auto industry to disolve as the principle of comparative advantage indicates it should?

Even Krugman states that protectionism has economic benefits

Krugman 09{ http://krugman.blogs.nytimes.com/2009/02/01/protectionism-and-stimulus-wonkish/ ; The conscience of a Liberal; paul Krugman; February 1st 2009}

The economic case against protectionism is that it distorts incentives: each country produces goods in which it has a comparative disadvantage, and consumes too little of imported goods. And under normal conditions that’s the end of the story. But these are not normal conditions. We’re in the midst of a global slump, with governments everywhere having trouble coming up with an effective response. And one part of the problem facing the world is that there are major policy externalities. My fiscal stimulus helps your economy, by increasing your exports — but you don’t share in my addition to government debt. As I [explained a while back](http://krugman.blogs.nytimes.com/2008/12/14/european-macro-algebra-wonkish/), this means that the bang per buck on stimulus for any one country is less than it is for the world as a whole. And this in turn means that if macro policy isn’t coordinated internationally — and it isn’t — we’ll tend to end up with too little fiscal stimulus, everywhere. Now ask, how would this change if each country adopted protectionist measures that “contained” the effects of fiscal expansion within its domestic economy? Then everyone would adopt a more expansionary policy — and the world would get closer to full employment than it would have otherwise. Yes, trade would be more distorted, which is a cost; but the distortion caused by a severely underemployed world economy would be reduced. And as the late James Tobin liked to say, it takes a lot of [Harberger triangles](http://en.wikipedia.org/wiki/Harberger's_Triangle) to fill an [Okun gap](http://en.wikipedia.org/wiki/Okun's_Law). Let’s be clear: this isn’t an argument for beggaring thy neighbor, it’s an argument that protectionism can make the world as a whole better off. It’s a second-best argument — coordinated policy is the first-best answer. But it needs to be taken seriously.

Protectionism Good 2/2

Progressive protectionism would help countries and their economic future

Hines 12{ <http://www.guardian.co.uk/commentisfree/2012/apr/20/progressive-protectionism> ; Colin Hines: Writer for the UK guardian; April, 20, 2012}

Progressive protectionism by contrast would instead allow countries to wean themselves off export dependence. It would enable the rebuilding and re-diversification of domestic economies by limiting what goods states let in and what funds they allow to enter or leave the country. Having regained control of their economic future, countries can then set the levels of taxes and agree the regulations needed to fund and facilitate this transition. National competition laws would ensure that monopolies didn't develop behind protective barriers and an internationalist approach to trade with poorer countries would insist that the gains from reduced levels of international trade helped fund the move towards a localised economy that benefitted the poor majority. In essence, this approach would make space for domestic funding and business to meet most of the needs of society worldwide.

Protectionism is key to economic efficiency

Daly 94{ <http://www.davidkorten.org/1994/67daly>; Herman E. Daly; January 25 1994}

Most public discussions of free trade treat "protectionism" as a dirty word. The recent debates on the North American Free Trade Agreement (NAFTA) and current debates on the General Agreement on Tariffs and Trade (GATT) are a case in point. Protectionism to economists usually means protecting an inefficient, lazy and often monopolistic national industry against really efficient foreign competition to the detriment of consumers. This kind of protectionism is economically inefficient and should be resisted. This does not mean, however, that protectionism is always bad. To the contrary, there are important instances in which protectionism is an essential precondition even to economic efficiency. The most fundamental rule of economic efficiency in a market economy is that the full costs of producing a product must be included in its price. There must be no subsidies.