



Compete.

Council on
Competitiveness

A Clarion Call for Competitiveness

Catalyzing Investment and Growth in the United States

The Necessity of Action

Turbulence. Transition. Transformation. These are the hallmarks of today's global economy—a debt crisis and recession in much of Europe, a slowdown in the hard-charging economies of China and India, instability in the Middle East, the rising threat of protectionism around the world, and new competitors emerging. In these uncertain times, nations that prepare their people, institutions, and laws to compete in a world economy churning with change will set the stage for future prosperity and growth. Nations that fail to act will fall behind.

The global economic horizon is painted with both silver linings and dark clouds. This *Clarion Call for Competitiveness* identifies key economic challenges, and offers solutions to position America to leverage its strengths and address shortcomings hampering our competitive performance.

The Silver Linings

America's strengths are recognized around the world, and our most important advantage is the American people. Our workers are creative, industrious, and among the world's most productive. American innovators—icons of industry, brilliant scientists and engineers, and everyday geniuses—continue our 150-year legacy of reshaping the world, entire industries, and the marketplace with breakthrough technologies, products, and services.

- We lead the world in high-tech manufacturing, technology-infused services, and agriculture. Our supply chains are agile and diverse.
- We hold aces in research and innovation. About \$400 billion in U.S. R&D investment annually is building-up a globally unparalleled stock of science and technology assets.
- Hundreds of renowned research institutions and national laboratories keep us at the forefront of knowledge and the cutting edge of game-changing technologies.
- Our culture of entrepreneurship, risk-taking, and creativity—stoked with venture capital—is unmatched around the globe.

The U.S. market remains the world's most sophisticated, and American brands are in demand by the world's consumers. Of unparalleled promise is America's transition from energy dependence to energy abundance. A natural gas boom could deliver a 100-year supply of low cost energy to American producers and lure capital investment to fuel U.S. economic growth. Firms are rethinking their total cost of production in light of these factors and deciding to bring manufacturing back to the United States.

Wise policies and practices, in many cases, could unleash these American strengths, turbo-charge our manufacturing engines, and raise technology commercialization to new heights, driving U.S. economic growth and job creation. In the process, higher levels of American innovation could help solve the global challenges of energy access and sustainability, food security, clean water, and environmental stewardship.

The Dark Clouds

Despite our competitive advantages, dark clouds threaten to dim America's economic future. Federal taxes and regulatory policies are outright counterproductive to investment in the United States. Our 35 percent basic corporate tax rate is much higher than the average of about 23 percent among many of our competitors. The United States cannot forever be a debt- and credit-driven economy, dragged down by \$16 trillion in national debt and \$1 trillion in annual deficits. Alarming, if left unchanged, America's fiscal path could lead to a sovereign default or the imposition of significantly higher borrowing costs for the sale of U.S. treasuries. For average Americans, a U.S. default could destroy wealth on a massive scale and severely limit economic opportunity. The longer our leaders defer fiscal reform—including reform of Social Security, Medicare, Medicaid, and the tax system—the more painful the remedies will be.

The United States must better support its most valuable resource...its people. Many businesses say they cannot find the skilled workers they need. At the same time, many Americans lack the education and skills needed to secure high-paying jobs in our complex, technology-based economy, threatening greater income inequality and a persistent high rate of unemployment. The uneven performance of America's K-12 schools, the high cost of higher education, and the need for better technical skills training are cracks in America's foundation for success that must be corrected.

American entrepreneurs—a job creation engine and globally coveted asset—are struggling, new business establishments have dropped significantly in recent years, and our small businesses are burdened by high tax and regulatory costs. As U.S. businesses try to scale up from small to mid-sized to large firms, tax, talent, and regulatory challenges impede every step of the way.

The time to act is now . . .

America's political leaders must tackle these problems now. Talent, science and technology, modern infrastructure, and capital are more widely distributed than ever before, and every day other nations get better at turning these building blocks into a competitive advantage around the world. At the same time, aggressive policies in competitor nations have evolved to favor domestic producers, attract global business investment, and undercut U.S. advantages.

Where America Needs to Be

To drive U.S. productivity, buttress our leadership in world markets, and raise the standard of living for all Americans, the United States must:

- Immediately work to:
 - Ensure lower cost, easy access to high quality education and training for all Americans
 - Maintain long-term federal investments in science and technology leadership
 - Reform and simplify the tax code to stimulate investment and attract global capital to the United States
- Over the next ten years:
 - Create at least 21 million jobs
 - Reduce unemployment to 5 percent
 - Reduce government debt by \$4 trillion to ensure America's long term solvency
 - Invest \$2.2 trillion in infrastructure to maintain competitive advantage
 - Double exports

Meeting these goals requires a national pro-growth strategy coupled with significant fiscal discipline. The Council has **identified three core principles that must undergird that strategy:**

- **Innovation**—the intersection of invention, insight, and investment that leads to the creation of social and economic value—is the lifeblood of the U.S. economy.
- **Economic resilience**—the ability to manage emerging risks and bounce back from disruption—must be a strategic investment by the public and private sectors.
- **Sustainable energy**—exploiting domestic resources and using energy efficiently—is foundational to U.S. prosperity.

In a series of reports, the Council and its CEO-level members have explained the importance of these principles, and laid out a roadmap for policymakers to maximize the U.S. potential in each of these areas. Taken together, this roadmap has the potential to unleash a new era of American innovation, create new industries, revitalize manufacturing across our nation, keep and grow high-skilled jobs for this generation and the next, and deliver economic prosperity for all Americans.



More than 200 specific recommendations highlight critical actions that can start us down the right path. Foremost among these is the need to:

Invest in America's Future

- Double the federal investment in R&D, and encourage cross-sector/multi-disciplinary partnerships to commercialize research results and solve global challenges.
- Lead in high performance computing by committing to exascale computing, and expanding pilots that give U.S. small and medium-sized businesses access to modeling and simulation tools.
- Expand science, technology, engineering, and math education linked to projected job opportunities of the future.
- Strengthen career and technical education and training programs through partnerships with business or labor that prepare students and workers for good jobs that fill labor market needs.
- Reform immigration rules to ensure that the world's best talent innovates and creates opportunities in the United States. Staple a green card to the diplomas of highly-skilled immigrants who acquire an advanced degree in the United States.

Ensure Value from American Investments

- Deploy modern and resilient energy, transportation, and cyber infrastructures to encourage investment and production in the United States, and to take full advantage of domestic energy supplies sustainably.
- Implement a national network of advanced manufacturing clusters and smart factory ecosystems.
- Re-assert U.S. leadership in global trade, expand market liberalization, and forge strategic agreements with Brazil, China, India, Japan, the EU, and the Trans Pacific Partnership Countries.
- Promote best practices in the protection of intellectual property rights around the world.

Encourage Companies to Build it Here and Export it There

- Lower the corporate tax rate to 23 percent, in line with the upper quartile of OECD economies.
- Reduce taxes on repatriated earnings to less than 5 percent, in line with other OECD economies.
- Authorize the Export-Import Bank to fund domestic infrastructure projects.

Get Our House in Order

- Exhort the administration and Congress to work together, across party lines, to compromise on spending and revenue measures that will bring the Nation's deficit and debt down to historical norms.
- Enact a long-term fiscal framework to reduce debt as a share of the economy.
 - Put in place common sense adjustments to Social Security to ensure the program's long-term viability.
 - Reform and reduce the growth in Medicare and Medicaid spending.
 - Reform and simplify the tax code to reduce rates, ensure compliance, and expand participation.

Conclusion

A clarion call is loud and conveys an imminent danger. It demands action. Such a pivotal moment should bring out the best in America. Historically, when confronted with our greatest challenges, we have risen to meet them. We do not ask, why us? We act. We fix it. Now is such a time.

The start of a second term for the current administration creates a window of opportunity for policymakers. Coupled with the impending "fiscal cliff" and expiration of a continuing resolution in the first quarter of 2013, lack of political will or consensus is no excuse for inaction.

The Council on Competitiveness offers this agenda as a roadmap for Congress, the administration, Governors, and the country. The Council seeks action from America's leaders regardless of party affiliation and in cooperation with the private sector. The United States is the greatest country in the world with the largest economy, but that status was earned, not given. To maintain our leadership, we will have to earn it.

The Council's Clarion Call for Competitiveness will provide the intellectual foundation for the inaugural National Competitiveness Forum (NCF) on November 16, 2012. The NCF will convene leaders from industry, academia, labor, and national laboratories to assess American competitiveness, explore emerging priorities, and release an agenda to grow the American economy. The NCF also will feature renowned thinkers and select government leaders with compelling insights into what drives competitiveness today.

About the Council

WHO WE ARE

The Council's mission is to set an action agenda to drive U.S. competitiveness, productivity and leadership in world markets to raise the standard of living of all Americans.

The Council on Competitiveness is the only group of corporate CEOs, university presidents and labor leaders committed to ensuring the future prosperity of all Americans and enhanced U.S. competitiveness in the global economy through the creation of high-value economic activity in the United States.

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HOW WE OPERATE

The key to U.S. prosperity in a global economy is to develop the most innovative workforce, educational system and businesses that will maintain the United States' position as the global economic leader.

The Council achieves its mission by:

- Identifying and understanding emerging challenges to competitiveness
- Generating new policy ideas and concepts to shape the competitiveness debate
- Forging public and private partnerships to drive consensus
- Galvanizing stakeholders to translate policy into action and change

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