U.S. COMPETITIVENESS AND IMPLICATIONS FOR OUR ECONOMIC FUTURE

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QUESTIONS FOR TODAY

• Does America really have a competitiveness problem?

• How did America get here?

• What should leaders do to restore U.S. competitiveness?
DOES AMERICA REALLY HAVE A COMPETITIVENESS PROBLEM?
WHAT IS COMPETITIVENESS?

The United States is a competitive location to the extent that firms operating in the U.S. are able to compete successfully in the global economy while supporting high and rising wages and living standards for the average American.

Competitiveness depends on the long-run productivity of the U.S. as a place to do business:

- The productivity of existing firms and workers
- The ability to achieve high participation of citizens in the workforce

Competitiveness is not:

- Low wages
- A weak currency
- Jobs per se
DOES AMERICA REALLY HAVE A COMPETITIVENESS PROBLEM?
ROLLING 10-YEAR COMPOUND ANNUAL GROWTH RATE
IN TOTAL NUMBER OF U.S. PRIVATE NONFARM EMPLOYEES

HOW DID AMERICA GET HERE?
PRIVATE, NONFARM EMPLOYMENT BY TYPE OF INDUSTRY

INDUSTRIES SERVING LOCAL MARKETS
(CAGR = 0.89%)

INDUSTRIES EXPOSED TO INTERNATIONAL COMPETITION
(CAGR = 0.02%)

DOES AMERICA REALLY HAVE A COMPETITIVENESS PROBLEM?
REAL HOUSEHOLD INCOME BY QUANTILE IN THE INCOME DISTRIBUTION

Note: Household income includes wages, self-employment, retirement, interest, dividends, other investment, unemployment, disability, alimony or child support, and other periodic income.
Note: Rolling 12-month average in civilian labor force (not seasonally adjusted) over civilian noninstitutional population age 16-64.
U.S. LABOR FORCE PARTICIPATION RATE FOR PRIME WORKING AGE MEN

Note: Rolling 12-month average in male civilian labor force age 25-54 (not seasonally adjusted) over civilian noninstitutional population age 25-54.
DOES AMERICA REALLY HAVE A COMPETITIVENESS PROBLEM?
REAL HOURLY WAGE GROWTH BY EDUCATIONAL ATTAINMENT,

DOES AMERICA REALLY HAVE A COMPETITIVENESS PROBLEM?
INDEX OF TOTAL NUMBER OF EMPLOYEES IN FIRMS OF VARIOUS SIZES

Source: U.S. Census Bureau Business Dynamics Statistics.
DOES AMERICA REALLY HAVE A COMPETITIVENESS PROBLEM?
U.S. FIRMS CREATED AND DISSOLVED

Notes: Shaded area indicates the recession of December 2007 to June 2009 as defined by the National Bureau of Economic Research.
DOES AMERICA REALLY HAVE A COMPETITIVENESS PROBLEM?
ANNUAL U.S. GDP GROWTH RATE, 5-YEAR ROLLING AVERAGE (1961-2013)

DOES AMERICA REALLY HAVE A COMPETITIVENESS PROBLEM?
IS THE DIVERGENCE SUSTAINABLE?

- Shortages of productive workers
- Weak consumer demand
- Disgruntled voters
- Less support for pro-business policies
- Skirmishes around minimum wage laws, tax inversions
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HOW DID AMERICA GET HERE?
ASSESSMENTS OF ELEMENTS OF THE U.S. BUSINESS ENVIRONMENT

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Current U.S. position compared to other advanced economies

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HOW DID AMERICA GET HERE?
ADULT LITERACY COMPETENCY BY AGE COHORT

Definition of Y axis (performance) = % of U.S. adults in top two proficiency categories - % of all int’l. adults in top two proficiency categories.

### HOW DID AMERICA GET HERE?

#### RELATIVE ASSESSMENTS OF ELEMENTS OF THE U.S. BUSINESS

**BY RESPONDENT’S FIRM SIZE**

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>1-9</th>
<th>10-99</th>
<th>100-999</th>
<th>1,000-9,999</th>
<th>10,000 or more</th>
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<tr>
<td>K-12 education</td>
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<tr>
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<tr>
<td>Regulation</td>
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<td>+++</td>
<td>+</td>
<td>+</td>
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<tr>
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<td>+</td>
<td>+</td>
<td>++</td>
<td>-</td>
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<tr>
<td>Innovation</td>
<td>--</td>
<td>+</td>
<td>++</td>
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<td>++</td>
<td>+++</td>
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<tr>
<td>Universities</td>
<td>-</td>
<td>-</td>
<td>++</td>
<td>++</td>
<td>+</td>
</tr>
<tr>
<td>Political system</td>
<td>-</td>
<td>--</td>
<td>+++</td>
<td>+++</td>
<td>-</td>
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<tr>
<td>Entrepreneurship</td>
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<tr>
<td>Capital markets</td>
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<td>+</td>
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<tr>
<td>Clusters</td>
<td>-</td>
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<td>++</td>
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<td>-</td>
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<tr>
<td>Hiring and firing</td>
<td>-</td>
<td>++</td>
<td>--</td>
<td>++</td>
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<tr>
<td>Legal framework</td>
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<td>Property rights</td>
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<tr>
<td>Skilled labor</td>
<td>-</td>
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<td>++</td>
<td>+</td>
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<tr>
<td>Firm management</td>
<td>+</td>
<td>+</td>
<td>-</td>
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<td>+</td>
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Compared to the average respondent in 2013-14, respondents in this firm-size class placed this element:

- **+++**: 10 or more points to the right
- **++**: 5 to 10 points to the right
- **+**: 0 to 5 points to the right
- **-**: 0 to 5 points to the left
- **--**: 5 to 10 points to the left
- **---**: 10 or more points to the left

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WHAT SHOULD LEADERS DO TO RESTORE U.S. COMPETITIVENESS?
IMMEDIATE FEDERAL POLICY PRIORITIES

1. Simplify the corporate tax code with lower statutory rates and no loopholes
2. Tax overseas profits earned by American multinational companies only where they are earned
3. Ease the immigration of highly skilled individuals
4. Aggressively address distortions and abuses in the international trading system
5. Improve logistics, communications and energy infrastructure
6. Simplify and streamline regulation
7. Create a sustainable federal budget, including revenue increases and cost control
8. Responsibly develop America’s shale-gas and oil reserves

## WHAT SHOULD LEADERS DO TO RESTORE U.S. COMPETITIVENESS?
### APPROVAL RATES FOR PROPOSED FEDERAL POLICIES

<table>
<thead>
<tr>
<th>Policy</th>
<th>U.S. business leaders</th>
<th>General public</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>All</td>
<td>Liberal</td>
<td>Conservative</td>
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<tr>
<td>Corporate tax reform</td>
<td>91%</td>
<td>91%</td>
<td>92%</td>
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<tr>
<td>Sustainable federal budget</td>
<td>90%</td>
<td>92%</td>
<td>85%</td>
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<tr>
<td>High-skil immigration</td>
<td>89%</td>
<td>90%</td>
<td>88%</td>
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<tr>
<td>Streamlined regulations</td>
<td>86%</td>
<td>71%</td>
<td>95%</td>
</tr>
<tr>
<td>Infrastructure investments</td>
<td>85%</td>
<td>92%</td>
<td>75%</td>
</tr>
<tr>
<td>International trading system</td>
<td>80%</td>
<td>81%</td>
<td>79%</td>
</tr>
<tr>
<td>Responsible energy extraction</td>
<td>79%</td>
<td>75%</td>
<td>80%</td>
</tr>
<tr>
<td>Territorial tax code</td>
<td>58%</td>
<td>34%</td>
<td>75%</td>
</tr>
</tbody>
</table>

WHAT SHOULD LEADERS DO TO RESTORE U.S. COMPETITIVENESS?
ROLE OF BUSINESS LEADERS

1. Vigorously pursue productivity and profitability within the business
   a. **Position** the company to draw on U.S. strengths
   b. **Move back to the U.S.** business activities that can be productive here

2. Tap the many opportunities to build the **commons and** benefit the business
   a. Enhance **cluster strength** and **regional economic strategy**
   b. Improve **skills**, through apprenticeships, training programs, and partnering with educational institutions
   c. Upgrade and tap the **U.S. supply chain**
   d. Support **innovation and entrepreneurship** in the company’s field

3. Stop narrowly self-interested actions that undermine the commons, especially in **government relations**