Center for American Progress

doing what works

AP PHOTO/RIC FRANCIS

A Focus on Competitiveness

Restructuring Policymaking for Results

John Podesta, Sarah Rosen Wartell, and Jitinder Kohli

December 2010

Doing What Works Advisory Board

Andres Alonso
CEO, Baltimore Public School System

Yigal Arens
Professor, USC School of Engineering

Ian Ayres
Professor, Yale Law School

Gary D. Bass
Executive Director, OMB Watch

Larisa Benson
Washington State Director of Performance Audit and Review

Anna Burger
Secretary-Treasurer, SEIU

Jack Dangermond
President, ESRI

Dan C. Esty
Professor, Yale Law School

Beverly Hall
Superintendent, Atlanta Public Schools

Elaine Kamarck
Lecturer in Public Policy, Harvard University

Sally Katzen
Executive Managing Director, The Podesta Group

Edward Kleinbard
Professor, USC School of Law

John Koskinen
Non-Executive Chairman, Freddie Mac

Richard Leone
President, The Century Foundation

Ellen Miller
Executive Director, Sunlight Foundation

Claire O'Connor
Former Director of Performance Management, City of Los Angeles

Tim O'Reilly
Founder and CEO, O'Reilly Media

Ali Partovi
Senior Vice President of Business Development, MySpace

Tony Scott
Chief Information Officer, Microsoft

Richard H. Thaler
Professor, University of Chicago School of Business

Eric Toder
Fellow, Urban Institute

Margery Austin Turner
Vice President for Research, Urban Institute

Laura D. Tyson
Professor, University of California-Berkeley School of Business

Members of the advisory board do not necessarily share all the views expressed in this document.

Center for American Progress

A Focus on Competitiveness

Restructuring Policymaking for Results

John Podesta, Sarah Rosen Wartell, and Jitinder Kohli December 2010

doing what works

CAP's Doing What Works project promotes government reform to efficiently allocate scarce resources and achieve greater results for the American people. This project specifically has three key objectives:

- Eliminating or redesigning misguided spending programs and tax expenditures, focused on priority areas such as health care, energy, and education
- Boosting government productivity by streamlining management and strengthening operations in the areas of human resources, information technology, and procurement
- Building a foundation for smarter decision-making by enhancing transparency and performance measurement and evaluation

Contents

Introduction and summary

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

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

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

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

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

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

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

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

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

This report does not attempt to prescribe policy solutions to the complex set of interconnected economic challenges the country faces. Policymakers have a broad menu of policy tools, among them: repairing a crumbling infrastructure and building the networks of a high-tech, low-carbon economy; providing incentives and support for research and development; raising educational standards for K-12, higher education, and workforce training; encouraging private capital investment; containing the growth in health care costs; and shrinking the budget deficit. Prioritizing these tools and working out the details is outside the purview of this paper.

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

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

This report focuses on the need to develop a coherent strategy, adopt policies in its service, and implement them with an eye to ensuring American competitiveness.

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

- A **Quadrennial Competitiveness Assessment** by an independent panel of the National Academies whose objectives are to collect input and information from many sources and perform a horizon scan that identifies long-term competitiveness challenges and opportunities

- A **Biannual Presidential Competitiveness Strategy** that lays out the president's competitiveness agenda and policy priorities, and captures the attention and buy-in of cabinet principals

- An **Interagency Competitiveness Task Force** led by a new deputy at the National Economic Council that develops the biannual strategy, oversees White House coordination of competitiveness initiatives, and monitors their implementation by agencies

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

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

- Creating a Department of Business, Trade, and Technology by combining relevant agencies within the Department of Commerce with trade and business-focused agencies and offices, including the Office of the United States Trade Representative, the Small Business Administration, the Export-Import Bank of the United States, the Overseas Private Investment Corporation, and the U.S. Trade and Development Agency. Separate evaluations would determine where to put existing Commerce "administrations" not closely aligned with the new department's mission. Specifically, these evaluations should assess:

  - Whether the National Oceanic and Atmospheric Administration is a better fit in the Interior Department, whose mission includes protecting America's natural resources and heritage. NOAA distributes environmental information, manages coastal and marine environments, and conducts applied scientific research on ecosystems, weather, climate, and water.

  - Whether the Economics and Statistics Administration (including the Bureau of Economic Analysis and the U.S. Census Bureau) should be moved along with other federal statistical agencies to a new crosscutting U.S. Statistical Agency. Another option is to create two separate statistical agencies—one for demographic, economic, and business information, and another for environmental information, leaving other unrelated statistical functions where they are. As these options are being evaluated, we recommend the president issue an executive order that directs the design and implementation of a "virtual" U.S. Statistical Agency. (See box on page 28)

- Creating a more expansive "competitiveness agency" by adding to the new department described above job training and higher education programs from the labor and education departments

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

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

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

Government's competitiveness problem

Planning and coordination

The future U.S. president in June 2008 laid out a vision for how the country should contend with the economic challenges of globalization. "It's time for new policies that create the jobs and opportunities of the future—a competitiveness agenda built upon education and energy, innovation and infrastructure, fair trade and reform," Barack Obama said.

The new administration hit the ground running. It stabilized a financial system in crisis. It won passage of legislation to bend the curve on health care costs and to restore sensible oversight to financial markets. It is making investments in transportation, education, and science, controlling spending to advance down the path to fiscal balance, and making progress on the difficult transition to a low-carbon economy.

And now, with domestic economic growth on firmer footing, the president is refocused on ensuring American competitiveness. "[The] U.S. remains the largest economy and the largest market, but there is real competition," Obama acknowledged last month during a trip to Asia designed to open new markets for American products. "But … America doesn't play for second place," he added when he returned. "The future we're fighting for isn't as the world's largest importer, consuming products made elsewhere, but as the world's largest manufacturer of ideas and goods sold around the world."

As the White House develops a competitiveness strategy, policymakers should simultaneously address the federal government's two key organizational weaknesses: a lack of long-term planning for economic competitiveness, and a fragmented economic policy apparatus that is difficult to coordinate.

Failure to address these organizational shortcomings weakens our ability to contend with long-term economic competitiveness risks. And the stakes are getting

The state of U.S. competitiveness

The United States enjoys significant competitive strengths. These include high-quality universities, a developed base of advanced scientific activity, skilled workers for advanced manufacturing, and easy access to venture capital and finance. One of America's most important competitive advantages is its entrepreneurial culture and fundamentally optimistic character.

In the aftermath of the Great Recession, however, businesses appear reluctant to invest in a country with unemployment near 10 percent and sluggish consumer demand. Multinational companies, meanwhile, are investing in emerging economies, sparking renewed concern about America's competitive position in the global economy.

Three years after the National Academies published *Rising Above the Gathering Storm,* concern continues to mount about American declines on measures relevant to a nation's competitiveness.

- For the first time in 10 years, the United States does not rank first on the World Economic Forum's international rankings of competitiveness.
- High school graduation rates in the United States are significantly lower than the Organisation for Economic Co-operation and Development's average. The OECD ranks the United States 17th out of 24 countries by percentage of high school graduates.
- The United States in 2001 ranked fourth in broadband penetration among 30 OECD countries; by 2007 it had dropped to 15th.
- The United States has dropped from seventh to 23rd in a World Economic Forum ranking of global infrastructure quality.
- The United States attracts an increasingly smaller proportion of international students to its institutions of higher education, as immigration controls make it ever more difficult for graduates to remain in the country.
- Foreign investments in U.S. business as a share of gross domestic product have fallen significantly behind those in France and the United Kingdom during the last decade.

These data points underscore troubling trends about the kinds of jobs available in the United States, even in good economic times. While demand for highly skilled workers grows, wages stagnate for those in the middle class.

The public is increasingly focused on the availability of employment and the apparent loss of jobs to overseas competition.

higher. After decades of global economic dominance, the United States is losing ground to other nations in productivity, scientific literacy, workforce development, technology funding, and infrastructure investment. (See box)

Let's delve deeper into the two organizational weaknesses we have identified: a lack of long-term coordinated planning for economic competitiveness, and a fragmented competitiveness policy apparatus.

A lack of long-term coordinated planning for economic competitiveness

The United States lacks a strong, interagency planning process that ensures our ability to step back, assess risks and opportunities, and develop responses to global economic challenges.

While all federal agencies engage in some form of strategic planning, few perform long-term planning and so-called "horizon scanning," or deep assessments of economic strengths and weaknesses that include explicit future goals and policy implementation plans. And no single agency takes a comprehensive look at the global economic future and our place in it—that is, a look beyond the immediate horizon to the vast array of issues that implicate so many different agencies across government.

The absence of long-term economic competitiveness planning contrasts with the practices of the national security, international relations, and intelligence communities, where Congress and executive agency practices mandate a horizon review, a strategy, and specific implementation plans. (See box on page 12)

The natural province for long-term competitiveness planning would seem to be the White House itself. But the Executive Office of the President has lacked the institutional capacity to engage in long-term planning since the early 1960s. That's when President Kennedy eliminated the National Security Council Planning Board, which had as its mission, according to former Secretary of State Dean Acheson:

> *[t]o look ahead, not into the distant future, but beyond the vision of the operating officers caught in the smoke and crises of current battle; far enough ahead to see the emerging form of things to come and outline what should be done to meet or anticipate them… [and that] the state should also do something else—constantly reappraise what [is] being done.*

Starting with the Kennedy administration, the National Security Council, and later the National Economic Council and Office of Science and Technology Policy, became inevitably preoccupied with supporting the president on day-to-day issues. Long-term planning, on the other hand, involves the consideration of potential issues down the line and future events.

While executive branch councils do develop policy strategy, the unrelenting demands of the 24-hour news cycle produce a situation in which the urgent crowds out the important and policy development becomes reactive rather than proactive. A 2006 analysis in a National Defense University publication found that the capacity of the president's executive office "to drive an extended iterative process of long-term strategic planning has simply been erased from the panoply of duties the position performs on a daily basis." The same conclusion can be reached about the economic policy process.

A fragmented competitiveness policy apparatus

Competitiveness policymaking is the purview of multiple agencies and offices in the federal government, including the departments of commerce, treasury, transportation, energy, labor, and the Office of the United States Trade Representative. Given the myriad policy areas that affect a country's global competitiveness—education, finance, trade, infrastructure, science, tax—that fragmentation means no single agency is responsible for thinking about and planning for the long-term competitiveness of the U.S. economy.

Competitiveness policymaking is the purview of multiple agencies and offices in the federal government.

To grasp how diffuse is the policymaking structure, consider:

- At least 20 federal agencies sit on the President's Export Promotion Cabinet. Many of these agencies have numerous offices charged with critical elements of export activity. In the area of export promotion, for instance, the Commerce Department's International Trade Administration, the Agriculture Department's Foreign Agricultural Service, and the Export-Import Bank of the United States are each charged with helping U.S. companies expand into foreign markets.

- The education and labor departments both have several divisions that invest in higher education, adult education, and other programs aimed at boosting the science, technology, and math skills American workers must have to ensure our business competitiveness. And each effort is guided by different strategies and policies.

- The responsibility for ensuring our infrastructure can support economic goals is likewise diffuse. The Transportation Department is responsible for surface and air transportation while wastewater infrastructure crucial to manufacturing is handled by the Environmental Protection Agency. Meanwhile, major water-ways and levee infrastructure falls under the purview of the U.S. Army Corps of Engineers. Neither the EPA nor the Army Corps is generally thought of as involved in economic policy, though their policies and programs have large implications for business costs.

Trade, education, and infrastructure, of course, are merely three components of a larger economic policy puzzle, with pieces spread out across the entire government. This fragmentation hinders the achievement of crosscutting objectives like competitiveness in a global economy.

A clear vision of individual units' roles and goals is necessary to effectively lead complex, multifaceted organizations. But individual government agencies have different understandings of their mission and goals.

Some countries with successful growth strategies are better organized to coordinate formal competitiveness agendas. (See page 14)

The closest analog in the U.S. federal bureaucracy to a competitiveness department is our Commerce Department, but it has historically wielded middling influence unless there is a strong personal relationship between the commerce secretary and the president. This is in part because its programs have modest economic impact. In other countries, Commerce-like agencies are the primary point of interface between government and the business community. U.S. agencies whose work affects business, on the other hand, are distributed across multiple cabinet agencies, creating an array of entry points for business interests.

Commerce's portfolio also includes governmental functions that are only indirectly related to commerce, such as national weather forecasting and the census. One former senior department official said that in some periods, the commerce secretary "spent 60 percent of his time dealing with fish," referring to the department's National Oceanic and Atmospheric Administration.

Our approach

We start with the premise that little is as important to the prospects of American workers and their families as a robust economy in which U.S. firms compete well in global markets. While a sustained recovery should eventually generate enough jobs to bring down unemployment rates, the shape of America's future economy is uncertain.

Economic trends since the 1970s suggest America will enjoy continued good earnings prospects for highly skilled workers, but also suffer from growing inequality. Technology, globalization, declines in unionization, and other factors have combined to produce real wages that have been stagnant for the median worker, and real earnings that have declined for non-college-educated workers. Except during a brief period in the 1990s when policymakers sought to raise up the bottom and spur investment-led growth, the poor have not advanced and the middle class has not enjoyed the rising living standards long associated with the American dream.

To reverse those trends, we need robust U.S. growth whose benefits are widely shared. We live in a global economy in which capital moves freely, and in which technology both reduces the demand for labor and enables companies to employ workers scattered across the world. Our nation's overriding economic priority, therefore, must be to ensure the competitiveness of American firms and workers.

In other writings, the Center for American Progress has offered recommendations on specific policies to bring about progressive growth and competitiveness. This report is prompted by concerns that amid short-term efforts to address the consequences of the Great Recession, too little attention was being paid to the equally important job of increasing America's long-term competitiveness. We wanted to see if different policymaking processes or organizational structures might advance solutions to the long-term global challenges we face—while also helping pull us out of the current crisis.

The elements of long-term policy planning

An effective long-term policy planning process consists of at least five steps:

- **Horizon scan:** An assessment of the current state and possible future scenarios, including long-term challenges and opportunities ahead and frequent consideration of alternative approaches and models
- **Ongoing outreach and engagement:** A meaningful opportunity to share concerns and ideas, inviting participation in solutions and developing buy-in to the strategy and policies
- **Strategy:** The identification of goals, the important general approaches to accomplishing those goals, and the metrics against which progress can be measured
- **Policy development:** Specific actions, steps, and policies that, if taken, should accomplish the goal
- **Policy coordination, implementation, and monitoring:** Facilitation of different components of the government to work in concert toward the same goal, monitoring implementation of plans and ensuring roadblocks are overcome, and measuring progress against established benchmarks

Our first step was to do a quick survey of policymaking processes and organizational structures used in other countries. We also looked to America's own national security policymaking processes for domestic models. Lessons from these reviews are described below.

We interviewed about two dozen current and former economic policymakers and those who seek to influence them. The list included people with experience in Democratic and Republican administrations, and on Capitol Hill. We also drew upon our own economic policymaking experience in the United States and the United Kingdom, and articulated the core elements that are essential for guiding a large organization toward specific long-term outcomes. (See box)

Finally, we considered the core elements of any competitiveness policy and the various long-standing debates about government's proper role in the American economy. We considered what policy areas were key to achieving competitiveness, and we sought to articulate a view of how best to support innovation and spur growth without causing market distortions that could eventually undermine our competitiveness. We concluded that the long-term strategic planning process and structural reorganization we recommend do not depend upon agreeing with our particular approach to the economy and how to ensure long-term, broadly shared growth.

An international survey: How the competition deals with competition

How selected other countries conduct long-term planning

Many factors affect a country's economic performance, and we make no claim that a good long-term strategic planning process is sufficient for success. But we do think it's helpful to see how other countries tackle the policymaking challenge of increasing global competition. What we discovered is that some countries are more explicitly "scanning the horizon" and planning for their long-term competitiveness than we are.

- France: The Center of Strategic Analysis, which reports directly to the prime minister, recently led the "France 2025" project, assessing "possible future trends in France over the next 15 years, which will bring to light ways to benefit from future opportunities and avoid future pitfalls." Among the areas of focus: globalization, the French production system, rethinking the social compact, managing rare resources, and technology and innovation.

- United Kingdom: The prime minister's Strategy Unit conducted a major horizon scanning exercise in 2008, concluding that maintaining economic prosperity would require significant changes to the country's skills base and a stronger culture of entrepreneurship. Likewise, the British Treasury has in recent years conducted a similar strategic planning effort around economic globalization. Both organizations conduct their work by engaging widely with outside stakeholders, including business, labor, economists, and others.

- Australia: Since 1998, the state Productivity Commission has advised the government on how to enhance the country's productivity performance. Current policy research focus includes trade agreements and workforce development. The Productivity Commission is appointed and funded by government but operates independently. It does so in a consultative manner with significant engagement and input from outside parties.

Some countries are more explicitly "scanning the horizon" and planning for their long-term competitiveness than we are.

How other countries organize competitiveness agencies

We also reviewed how other countries organize key competitiveness functions in their governments. While there is no country where all policy responsibility for competitiveness is concentrated in one department, the United States stands out as unusually fragmented.

- Japan: The Ministry for Economy, Trade and Industry's portfolio includes international trade, science and technology policy, business development, manufacturing, and natural resources and energy.

- United Kingdom: The Department for Business, Innovation and Skills is responsible for economic development, trade, workforce development, higher education, small business, and science and technology policies.

- France: The Ministry of the Economy, Industry, and Employment has an economic policy portfolio that in the United States is split among the departments of commerce, labor, and treasury.

- Germany: The Ministry of Economics and Technology handles energy, domestic and international economics, technology, telecommunications and mail, and industrial relations policies.

- The Netherlands: The Ministry for Economic Affairs oversees trademarks and patents, consumer protection, economic analysis, energy, telecommunications, technology and innovation, and foreign economic relations.

- India: The Ministry of Commerce and Industry wields administrative control over international trade, domestic and foreign business, infrastructure, intellectual property, and industrial policy and promotion.

- Singapore: The Ministry of Trade and Industry is responsible for science and technology, energy, competition, productivity and innovation, international trade, statistics, tourism, and infrastructure and industrial development.

- Australia: The Department for Innovation, Industry, Science and Research handles policies relating to manufacturing and construction, innovation and technology, international trade, small business, intellectual property, and investment promotion. The department also manages the so-called Business

Entry Point, which provides businesses with a simple access point to all parts of the government.

While foreign models are useful, we also looked for domestic examples within the uniquely American policymaking processes for insight. We found the national security context most relevant.

A U.S. model: How our national security apparatus does long-term planning

There are four ongoing planning exercises in our own government that could serve as a model for competitiveness policymaking. While our national security system is also criticized for too much fragmentation and inadequate long-term planning, we did find components of a good planning process in the global affairs agencies.

The National Intelligence Council, the intelligence community's strategic thinking office, develops periodic reports on "global trends," incorporating the best available expertise inside and outside the government. The project's primary goal is "to provide U.S. policymakers with a view of how world developments could evolve, identifying opportunities and potentially negative developments that might warrant policy action." The council notes that, "mindful that there are many possible 'futures,' we offer a range of possibilities and potential discontinuities, as a way of opening our minds to developments we might otherwise miss."

Congress requires the defense secretary every four years to "conduct a comprehensive examination of the national defense strategy, force structure, force modernization plans, infrastructure, budget plan, and other elements of the defense program and policies of the United States with a view towards determining and expressing the defense strategy of the United States and establishing a defense program for the next 20 years." The so-called Quadrennial Defense Review mandate requires the secretary to identify "the magnitude of the political, strategic, and military risks associated with carrying out the missions as expressed in the QDR strategy." The Quadrennial Defense Review Independent Panel, a bipartisan congressional group, provides outside input and oversight over the process.

The State Department recently launched a companion review to the QDR focused on diplomacy and development policy. This Quadrennial Diplomacy and Development Review is directed to assess "threats, challenges and opportunities over 20 years … the current status of our approaches," and the use of diplomacy and development tools in pursuit of goals, according to the department's website. (The State Department in 2006 and 2007 also led an interagency process to develop future scenarios to help inform the work of agencies involved in global affairs. The so-called Project Horizon involved about 200 people and was aimed at integrating long-term planning across departmental silos.)

Finally, the president is by statute required to deliver an annual National Security Strategy Report. Although rarely submitted as often or on the schedule set by Congress, these reports generally do address, as required, U.S. security objectives, commitments, and the adequacy of our national political, economic, and military capabilities to implement the strategy.

These efforts all reflect the increasing importance of global economic issues to our defense and security objectives. In its report, "Global Trends 2025: A Transformed World," the National Intelligence Council said our security would be determined by key changes in the global economy, including emerging powers, wealth transfer from western to eastern nations, and resource scarcities caused by economic growth abroad. The president's 2010 National Security Strategy says our economy is "the wellspring of American power," yet we have no analogous review by economic agencies of the global economic challenges and opportunities confronting us.

What is a competitiveness agenda, anyway?

This report lays out several options that address both of the structural weaknesses described above. While we do not prescribe an economic policy or "competitiveness agenda" per se, our recommendations for organizational reform are based on the assumption that any competitiveness agenda must include:

- **Infrastructure policies** that ensure we have modern communication, energy, transportation, and built-environment facilities that allow our businesses to reach resources and markets, and thrive
- **Education and skills policies** that bolster K-12 and post-secondary education, as well as workforce development, to improve the skills and innovation capacity of current and future workers
- **Science, technology, and innovation policies** that ensure our national capacity for basic research; development, commercialization, and deployment of ideas;

the cultivation of innovation for goods and services; and a strong culture of entrepreneurialism that encourages risk-taking and exploration

- **Finance and investment policies** in the tax, fiscal, capital markets, and credit arenas that create an attractive environment for private capital and world-leading financial institutions that provide broad access to sustainable credit

- **International trade policies** that ensure our firms' fair access to domestic and international markets, and to the globe's natural resources

To move forward on these issues, we must also move past stale debates in which government action is denigrated as Soviet-style "industrial policy" that interferes with the market by "picking winners." America will never follow the Chinese model of "state capitalism," although China's rise poses unique competitive threats we must address in other ways. The United States has always relied upon entrepreneurs, markets, and the private sector to identify ideas that will lead to new growth. But few dispute a proper role for government in spurring innovation and creating conditions that give the private sector the right incentives to make the right investments.

A longer discussion of CAP's view of government's role in the economy is in the report, "A National Innovation Agenda: Progressive Policies for Economic Growth and Opportunity through Science and Technology," by former Senior Fellow Tom Kalil, now deputy director for policy at the Office of Science and Technology Policy, and former Director of Tax and Budget Policy John Irons. In that report they write:

> *The role of the government is to make investments in areas that the private sector will under-invest in relative to their social return, such as fundamental research and a skilled workforce, and to create a policy environment that will foster competition, innovation, and entrepreneurship. The private sector then takes the lead on commercialization and adoption of new technologies.*

They define the government's role as a "catalyst" that sparks investments by private, academic, and other actors. Kalil and Irons also note, "while there are significant 'market failures' associated with the innovation process, interventions can lead to 'government failures,' " including:

> *… pork-barrel politics, rent-seeking by interest groups, regulatory capture, decision-making on the basis of faulty or incomplete information, policies where benefits are greatly exceeded by costs, and lack of flexibility to adapt to changed*

> *circumstances and new evidence. When the government does intervene, careful thought needs to be given to the design of the intervention … [and] governments should seek to take advantage of market forces … .*

Finally, they suggest that the role of the president and Congress is to "establish broad national priorities" and create "a venue for … stakeholders to develop research agendas that are responsive to these goals." Great national challenges like arming the country to fight World War II and the Cold War, easing interstate transport, and building a system of digital telecommunications have always required presidential leadership, White House-led policy development, engagement from all sectors of civil society, focused coordination of implementation, and measurement of progress against milestones.

The White House's current capacity to develop a comprehensive economic strategy that permeates all relevant agencies is weak.

But one need not agree with CAP on the right competitiveness agenda to agree on the value of a more robust governmental mechanism for developing clear objectives, adopting governing strategies, and implementing them well.

We found in our discussions with experts a variety of opinions on how the government can ensure U.S. competitiveness. Some people said the government should focus on improving human capital and reject sectoral analysis. Some said investment in technology and energy infrastructure is more important than repairing crumbling bridges and roads. Some focused on market access while others prioritized trade rule enforcement. Some said reducing regulatory barriers and creating tax incentives for investment would have more stimulative effect than government initiatives to lead a transition to a low-carbon economy, accelerate broadband deployment, or find cost-saving medical practices and technologies.

The strongest point of agreement was that the White House's current capacity to develop a comprehensive economic strategy that permeates all relevant agencies is weak. And many economic actors outside of government made clear they would welcome more opportunities to engage with government leaders in building a competitiveness strategy.

This report, therefore, offers a variety of ways to expand the institutional capacity of the executive branch to develop a strong and effective competitiveness policy that takes on our global challenges in a uniquely American way. It offers a process for long-term strategic planning that invites the public-private dialogue and partnership sought by many in the business community. And it recommends fleshing out and evaluating reorganization plans that would create a more powerful cabinet agency focused on global competitiveness.

Recommendations

Our recommendations fall into two separate categories: executive branch processes for strategic planning including assessment, strategy, policy development, and implementation; and reorganization options for further consideration.

Executive branch actions to promote long-term strategic planning

At a time of mounting competition from emerging economies, we believe the United States needs to conduct a more rigorous analysis of our long-term competitiveness and have the executive branch adopt an explicit strategy.

To help develop this analysis and strategy, President Obama should issue an executive order that creates:

- A **Quadrennial Competitiveness Assessment** by an independent panel of the National Academies, whose objectives are to collect input and information from many sources and perform a horizon scan that identifies long-term competitiveness challenges and opportunities

- A **Biannual Presidential Competitiveness Strategy** that lays out the president's competitiveness agenda and policy priorities, and captures the attention and buy-in of cabinet principals

- An **Interagency Competitiveness Task Force** led by a new deputy at the National Economic Council that develops the biannual strategy, oversees White House coordination of competitiveness initiatives, and monitors their implementation by agencies

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

Let's take a closer look at why each of these is needed and how they might work.

A quadrennial competitiveness assessment

Management of government is by its very nature focused on the short term. But it is important to stand back periodically to think about how the nation is doing and where policy response may be most important. Processes to do that are currently established in defense and intelligence and are being adopted to help guide diplomacy. The same should happen for competitiveness.

We recommend that the National Academies convene an independent bipartisan panel at least every four years to perform a broad horizon scan of American competitiveness. This would build upon the work of the Academies panel, chaired by Norman Augustine, that wrote "Rising Above the Gathering Storm: Energizing and Employing America for a Brighter Economic Future."

This panel should identify U.S. strengths and weaknesses, the strengths and weaknesses of other countries, and emerging challenges and opportunities. The purpose would not be to develop policy, but rather to spotlight priorities that policymakers should address. This report would follow the model of the National Intelligence Council's Global Trends 2020 report, described above, which identifies opportunities and potential problems in world affairs that might warrant policy action.

The administration should be invited to submit comments, evidence, and information for the National Academies panel to consider. And relevant federal agencies should provide research and support staff for the panel's work.

The panel should deliver the completed Quadrennial Competitiveness Assessment to the president and Congress, and should brief relevant members of the Congress, cabinet, and White House staff. This report should be made public, setting the backdrop for policymaking over the next four-year period.

A biannual presidential competitiveness strategy

The administration has actively promoted competitiveness across a range of issues, including manufacturing, export promotion, innovation, and education. And the White House Office of Science and Technology Policy released in September

2009 a white paper, called "A Strategy for American Innovation," that provides the president's vision on many key competitiveness issues. But there should be a regular and more comprehensive process for developing and communicating competitiveness strategy.

We recommend that the president assign the director of the National Economic Council the responsibility to oversee the development of a Biannual Presidential Competitiveness Strategy. This strategy would lay out the administration's approach, identify new policies and initiatives to strengthen U.S. competitiveness, and assign cabinet secretaries action steps to meet key competitiveness goals. The NEC director should seek input from the new Competitiveness Advisory Panel (see below) as well as members of Congress in developing this strategy.

It is difficult for policymakers in any administration to focus on long-term competitiveness when faced with so many pressing short-term objectives. One observer noted that, for any White House, long-term competitiveness is always "important but never urgent." Others told us that the National Economic Council's responsibility to support the president, coordinate policy on issues before Congress, and prepare new initiatives for key moments, such as the president's budget and State of the Union address, leads the NEC staff to focus more on day-to-day and medium-term concerns than on the long term. Simply instructing the NEC staff to take a long-term view is not likely to yield different results.

Instead, we recommend that the president name a new NEC deputy director, under the direction of the NEC director, who is responsible for:

- Staffing the Presidential Competitiveness Advisory Panel
- Developing the Biannual Presidential Competitiveness Strategy
- Coordinating the implementation of the strategy
- Coordinating the development of other presidential initiatives and interagency policies related to competitiveness
- Leading the Interagency Competitiveness Task Force described below

This new deputy director would be focused on long-term issues and, to the extent possible, insulated from working on short-term issues. There will likely be temptation to divert this person's time as immediate priorities emerge. This temptation is best resisted by clearly defining responsibilities upfront.

It is difficult for policymakers in any administration to focus on long-term competitiveness when faced with so many pressing short-term objectives.

An interagency competitiveness task force

Competitiveness policy suffers if the White House and agencies do not work together in common purpose. The White House has responsibility for coordinating agency efforts on competitiveness, but government's fragmented organizational structure makes this a difficult challenge. Adding to this challenge, there is no regular forum for communicating across agencies around these long-term issues and strategy implementation.

We recommend that an elite Interagency Competitiveness Task Force be established to support the development of the Biannual Presidential Competitiveness Strategy. This task force should be composed of White House-selected deputy assistant secretaries and other high-level officials from key parts of the White House. Participants should be selected not to "represent" their agency but rather to bring the experience and expertise needed by the exercise.

They also should be selected for their access to top agency officials and their department secretaries' willingness to allow them to devote sufficient time to the project. The president should designate and publicly recognize this role to ensure the task force attracts top talent. The task force should also have the ability to commission work from departments and draw on agency resources. We envision an inter-agency team would be detailed to support the task force.

A presidential advisory panel on competitiveness

The administration needs access to the best advice in developing competitiveness policy. The Quadrennial Competitiveness Assessment by a National Academies panel will set out a detailed examination of the issues the nation faces and the areas where policy responses are needed. But the administration will also need help in shaping the details of policy. There is now inadequate opportunity for those outside government to engage with policymakers around competitiveness policy, air ideas and concerns, and collaborate on new initiatives, business leaders and others told us.

We recommend that the president establish a new advisory panel of leading experts in business, labor, science and technology, think tanks, and academia. This panel would develop policies to promote long-term competitiveness, and serve as a forum for ongoing engagement between policymakers and key stakeholders and experts of diverse backgrounds.

There is merit in having some overlapping membership on this panel and the National Academies panel responsible for the Quadrennial Competitiveness Assessment. A similar process was envisioned in the America Competes Act of 2007, which proposed that there be a panel, with membership drawn from the National Academies, to advise the president on issues of education and innovation.

Reorganization options to create a department focused on competitiveness

Even with more rigorous outreach, planning, strategy, policy development, and implementation processes, the challenges of interagency coordination will remain. We recommend the White House contemplate the admittedly more difficult project of federal agency reorganization to create a premier department focused on competitiveness.

Many other countries have such a lead department. Typically, that department manages key policy levers, acts as the competitiveness "champion" for the government, and serves as the principal point of interface with the business community. This lead department may not control all policy relevant to competitiveness—such as transportation, immigration, or education—but it does wield significant overall influence in the cabinet.

Now is the time to evaluate the advantages and disadvantages of reorganizing the U.S. government in a similar way, given how central competitiveness is to the prospect of restoring broadly shared economic growth and the priority the public places on job creation.

The first priority should be given to developing an initial Presidential Competitiveness Strategy and coordinating its implementation. Nonetheless, serious discussion and debate of reorganization should proceed in parallel. That conversation also would offer a much-needed opportunity for the administration and the business and labor communities to engage with one another about how to create the conditions for American competitiveness, economic growth, and job creation.

The case for agency consolidation and reorganization

The key reason for reorganizing is to create a more powerful and economically important agency that controls under one roof more resources and policy areas that touch on the private sector and job creation. This agency would help focus the executive branch on the competitiveness of firms and workers. Its potent set of authorities would also help bring the department into what is informally acknowledged to be the top tier of federal agencies—State, Defense, Treasury, and Justice—making it attractive to top candidates for cabinet posts.

Consolidation would also make it easier for American firms to navigate their way through the federal bureaucracy. More important, there would be a voice at the cabinet table that is understood to speak for the interests of America's employers and employees in global competition.

Another reason for consolidation is efficiency. For example, a great deal of trade and export expertise is spread across a wide array of agencies. Each of these agencies develops expertise in a large number of sectors. Consolidation of some of these functions could, if done right, result in not only better-coordinated policy but also more cost-effective implementation.

The time is right to make this move. If we are to see the rebirth of high-quality jobs in the U.S. economy, the executive branch must make that an unrelenting focus. The diffusion of agencies, officials, and programs results in diffuse focus. The cost of this is simply too high for American workers and businesses in the current global climate. Thus, we recommend that there be a serious study of options to consolidate key competitiveness-related agencies and their relevant authorities and an effort to build consensus around the need for change.

A reorganization and consolidation proposal

One way to proceed would be to ask the National Academies panel described above to evaluate options for agency consolidation as part of its first Quadrennial Competitiveness Assessment. In doing so, it should work closely with Congress and the agencies themselves to consider their perspectives as it drafts recommendations. Operational organization should flow from the assessment of needs and recommendations for strategy.

It is important also that business and workforce interests are given the opportunity to engage and provide input. These interests may be reluctant to change a system that is well known, even if not well loved. But reorganization might become a rallying point for those who seek greater engagement and executive branch focus on competitiveness if the White House can establish buy-in to the strategy and policy agenda that follows.

The simplest option would be to create a Department of Business, Trade, and Technology. In this model, all of the relevant agencies within the Department of Commerce would be brought together under one roof with trade and business-focused agencies and offices, including the Office of the United States Trade Representative, the Small Business Administration, the Export-Import Bank of the United States, the Overseas Private Investment Corp., and the U.S. Trade and Development Agency.

The simplest option would be to create a Department of Business, Trade, and Technology.

By combining the major trade, business, and technology functions from throughout the government, it would be easier to set priorities, enlist the resources of diverse programs in service of a national strategy for competitiveness, and align agencies' work to deliver outcomes that matter to the public.

This proposal would leave two major Commerce Department "administrations" with tangential relationships to competitiveness: the National Oceanic and Atmospheric Administration, which supplies environmental information, manages coastal and marine environments, and provides data and applied scientific research on ecosystems, climate, weather, and water; and the Economics and Statistics Administration (including the Bureau of Economic Analysis and the U.S. Census Bureau). Both are large organizations with important and often controversial mandates that have distracted the commerce secretary in the past from the competitiveness agenda that we argue should be the unrelenting focus of the next era of U.S. economic policy.

A careful review should determine the best place for these important agencies because their missions would not closely align with the mission of the new department. Preliminarily, the functions of NOAA would seem to better reside within the Department of the Interior, whose mission includes protecting America's natural resources and heritage. NOAA and Interior both monitor climate change and environmental conditions, including water quality, and share responsibility for fisheries management. NOAA regulates fishing of saltwater salmon, for example, while Interior regulates fishing of freshwater salmon.

ESA might be moved to a new "U.S. Statistical Agency" along with other federal statistical bureaus such as the Bureau of Labor Statistics. As such a move is considered, the president could also establish a new "virtual" statistical agency to better coordinate efforts across agencies. (See box starting on page 28)

We also think serious consideration should be given to including the Small Business Administration in the new department. A recent proposal from the Chairmen of the President's National Commission on Fiscal Responsibility and Reform to combine SBA and Commerce launched a firestorm, suggesting that this proposal is controversial. We argue for its consideration, however, not principally for cost savings and efficiency but because the move would signal the importance of small business to the United States' competitiveness agenda.

The products and services of small and medium-size American firms must find customers in growing foreign markets if our economy is to grow and create more jobs. The administration's National Export Initiative has made it a priority to provide small businesses access to government's export promotion services. But it will be hard to sustain that effort as administrations come and go. This is because small business programs and expertise are Balkanized, and small business interests are too often treated as a second-tier priority in program implementation. Including small business as a core department responsibility could elevate small business in national policy, even if there will no longer be an agency dedicated only to smaller firms. We have no illusions, however, that advocates for small business will see it this way.

Other reorganization proposals for consideration

An alternative design for a competitiveness agency would be to include the job training and higher education programs from the labor and education departments. This model, which the United Kingdom has adopted, could help ensure these programs serve the country's need to produce a globally competitive workforce. We estimate preliminarily that a new department with these functions would have about 21,000 employees and a budget of about $39 billion. These figures were calculated using each department's FY 2011 Congressional Budget Justifications, as well as employment information from the Office of Personnel Management (available at: http://www.opm.gov/feddata/html/2009/September/table15.asp).

Education and labor interests would likely object to this move. For example, universities might be concerned about the academic consequences of moving higher education programs into a department that is not principally focused on education. Labor unions might similarly object, fearing a shift in focus from the needs of workers that are implicitly paramount in the Labor Department to the needs of employers.

In fact, the goal of such a proposal would be to move away from a system in which authority for different segments of our economy is distributed among cabinet agencies. Instead, focus would be on the overall strength of the American economy in a global market, creating a table at which various interests are balanced and work together for the common good. The hope is that by aligning students, workers, and businesses, we would create a potent force for driving greater economic and competitive returns from our education and training systems.

> The hope is that by aligning students, workers, and businesses, we would create a potent force for driving greater economic and competitive returns from our education and training systems.

The National Academies panel we propose could be charged with evaluating concerns about possible consolidation and identifying ways they might be addressed. This panel also could be asked to recommend how to better integrate and align education and workforce training programs in service of American competitiveness if they are left in their current departments. Policy proposals to that end from both parties have met with resistance from post-secondary educational institutions.

A yet more dramatic option for reorganization would add to the mix described above programs that promote science for economic development purposes, such as those in the departments of energy, transportation, and housing and urban development, as well as White House coordinating responsibilities for science and technology policy and spending. (The president must, of course, retain a prominent science adviser and team in the White House to inform public policy. This proposal simply would move the responsibility to lead interagency efforts to identify science and technology priorities and develop and implement science and technology budgets.) We would not consider including the National Science Foundation and other functions with responsibility for basic research, whose independence from political interference should be assiduously protected.

Some will argue that it is better to locate programs that invest in developing and commercializing technologies in the agencies that are expert in the issues those technologies are meant to address. Would the newly created Advanced Research Projects Agency-Energy, or ARPA-E, for example, gain more from its proximity to other Department of Energy programs that understand our energy needs and

Relocating statistical programs

The Commerce Department is responsible for a number of programs that gather information on income, employment, business, trade, and overall economic performance. However, there is currently no single government agency responsible for scanning the full range of information on American competitiveness and economic performance. Nor is there a single entry point for businesses, investors, and others who rely on government-generated economic statistics to make decisions. They must instead figure out which federal agency collects what statistics.

In fact, the challenge is broader than simply economic statistics. Across the government, statistical and data collection functions are scattered throughout many dozens of different government agencies with subject matter expertise, but varying degrees of expertise in data collection and analysis. The 11 primary statistical agencies are located within nine different cabinet departments:

- The Bureau of Economic Analysis (Commerce)
- The Bureau of Justice Statistics (Justice)
- The Bureau of Labor Statistics (Labor)
- The Bureau of Transportation Statistics (Transportation)
- The Census Bureau (Commerce)
- The Economic Research Service (Agriculture)
- The Energy Information Administration (Energy)
- The National Agricultural Statistics Service (Agriculture)
- The National Center for Education Statistics (Education)
- The National Center for Health Statistics (Health and Human Services)
- The Statistics of Income (Treasury)

While oversight and coordination of the U.S. statistical system is the responsibility of the Office of Management and Budget, each agency in the system has its own separate budget.

Within Commerce, the Census Bureau not only gathers demographic information from American households, but also tracks key economic indicators, such as home sales and construction spending, and conducts an economic census every five years that generates data by business sector. The Bureau of Economic Analysis, meanwhile, is responsible for estimating gross domestic product, corporate profits, international investment and trade, and personal income, spending, and saving.

Outside of Commerce, the Department of Labor's Bureau of Labor Statistics and the Internal Revenue Service also provide data on the general health of the economy. BLS tracks unemployment, wages, consumer expenditures, prices and inflation, and productivity and technological changes in U.S. industries. The IRS, through its Statistics of Income division, generates tax statistics, both for businesses and individuals, and estimates U.S. investments abroad, foreign investments in the United States, and gains or losses from sales of capital assets.

A number of other agencies also generate information by business sector and type. The Economic Research Service and the National Agricultural Statistics Service, both housed within the Department of Agriculture, publish a wide range of data on agriculture and commodity markets. The NASS also conducts the Census of Agriculture every five years to collect information on the characteristics and economics of farms. The Energy Information Administration, housed within the Department of Energy, similarly provides information on the energy sector, including energy production, consumption, prices, and technology. And the Small Business Administration conducts research on small business characteristics and contributions to the economy.

As with economic statistics, the production of environmental data is highly dispersed. More than a dozen separate agencies generate environmental data, including Commerce's National Oceanic and Atmospheric Administration. NOAA provides daily weather forecasts, tracks and predicts climate change, and monitors fisheries as well as ocean and coastal health. The Department of Interior and the Environmental Protection Agency both conduct similar monitoring of climate, water quality, and fish and wildlife. NOAA is also responsible for fisheries management and coastal restoration, areas where Interior and EPA conduct related efforts as well.

The United States is relatively unique among advanced nations in the decentralized way it gathers and discloses statistics. Canada, for one, has a central statistical agency called Statistics Canada that is responsible for reporting virtually all government-generated statistical information, including economic and environmental information.

The Obama administration created Data.gov to make government's statistical information available to the public in one place. This initiative provides a foundation on which to build a more integrated statistical system.

Federal agencies now use different technologies and systems to gather and manage statistical information. This makes it difficult for agencies to share relevant information with one another and collaborate on related statistical efforts. Agencies also duplicate one another's efforts and miss out on significant savings as a result. Consolidating statistical infrastructure could slash spending on IT resources and support personnel by many billions of dollars. We also miss opportunities to fuse information across agencies. Imagine an analytical tool that combines economic data, population data, transportation data, environmental data, public health data, and data on government spending, along with other statistical information. A tool like this could be used to generate powerful insights and smarter policymaking. As it stands, the public can download only one dataset at a time through Data.gov.

Doing what works for our country requires more flexible, nimble, and integrated information management and disclosure. However, creating a single statistical agency would require a significant reorganization of the executive branch, something that may be too disruptive to contemplate over the short term.

We recommend that the president first issue an executive order that directs the design and implementation of a "virtual" statistical agency to rationalize statistical efforts across agency platforms as the administration did with the website Recovery.gov. This virtual agency would:

- Take ownership of Data.gov
- Work with federal agencies to consolidate data collection, management, and disclosure where possible and desirable, beginning with the largest statistical bureaus dealing with economic analysis
- Improve the functionality of Data.gov by integrating statistical information and providing useful analytical tools to the public

In parallel with this effort, a National Academies panel (separate from the one recommended for competitiveness) or other impartial organization that can draw upon the expertise of business, research, and internal government end users of government statistics, along with privacy and data technology experts, should evaluate the following options for reorganization:

- First, creation of a new "U.S. Statistical Agency" that consolidates statistical programs from across the government.
- Second, creation of a consolidated economic statistical agency responsible for demographic, economic, and business information. The Census Bureau and Bureau of Economic Analysis could be grouped with other similar statistical programs, including the Bureau of Labor Statistics, as part of a new independent agency responsible for economic statistics. Likewise, there could be a new Bureau of Environmental Statistics that would include programs at NOAA, Interior, EPA, and other agencies. (Were NOAA to be moved to the Department of Interior, which shares similar statistical and regulatory responsibilities, some of this consolidation might be facilitated.)

These possibilities need more careful and technical examination. But the ultimate objective is clear: a government that is coherently organized to deliver relevant, high-quality economic and environmental information.

challenges? Or would it be more likely to succeed within an economic development-focused agency that understands finance, commercialization, and marketing? That is a close call.

Bringing various science programs and efforts together should make it easier to advance a broader competitiveness strategy. But we would not want to lose the benefits of the policy expertise within the agencies where they are now housed.

Possible downsides to consolidation and reorganization

There are, of course, significant operational drawbacks to the consolidation required by even the most modest of proposals above, as the herculean effort to merge 22 agencies to create the Department of Homeland Security demonstrates. The Department of Business, Trade, and Technology (the first option described above) would be a far smaller reorganization, creating an agency with about 18,000 staff (compared to more than 200,000 staff in DHS) and a budget of around $5 billion (compared to DHS's budget of more than $50 billion). It also would have a focused mission that could allow it to come together faster as an effective department.

Nonetheless, we acknowledge that even making a proposal to consolidate agencies can be distracting. Agency leadership may become consumed with protecting turf and jockeying for advantage. And members of Congress may worry about committee jurisdictions.

This is why we recommend that the administration focus first on developing a more comprehensive strategy and better coordinating among agencies in their current configuration. But we should not accept organizational paralysis when a more rational structure is apparent. In light of our renewed focus on American competitiveness, now is the time to tackle reorganization.

Another downside, according to some experts we interviewed, is that staff morale at USTR may decline due to a perceived loss of importance as the agency is moved out of the Executive Office of the President. In fact, morale there has already fallen significantly and is now among the lowest of small agencies in employee rankings. It may be that, if handled well, a merger into a new powerful department focused on global competitiveness would actually have a positive effect.

Conclusion

American businesses and workers have rebounded before from uncertain times. Our families benefitted from the economic opportunity and rising living standards that flowed from the successful prosecution of two world wars, a Cold War, and the space race. The emergence of foreign powers in the last decade prompted us to enhance our productivity, and to thrive. We have benefitted also from a virtuous circle in which other countries have moved ahead as well.

In this same tradition, and in pursuit of our continued competitiveness, we argue for a long-term strategic plan and possible reorganization of federal agencies. As we struggle to restore employment and help those hardest hit by the economic crisis, we must organize ourselves to better focus on the long-term competitiveness of American firms and workers. The future will thank us for it.

About the authors

John Podesta is the President and Chief Executive Officer of the Center for American Progress. Podesta served as co-chair of President Obama's transition. Podesta previously served as Chief of Staff to President William J. Clinton from October 1998 until January 2001, where he was responsible for directing, managing, and overseeing all policy development, daily operations, congressional relations, and staff activities of the White House. He coordinated the work of cabinet agencies with a particular emphasis on the development of federal budget and tax policy, and served in the President's cabinet and as a Principal on the National Security Council. Podesta is currently a Visiting Professor of Law on the faculty of the Georgetown University Law Center, a position he also held from January 1995 to 1997. He has taught courses on technology policy, congressional investigations, legislation, copyright, and public interest law. Podesta is a 1976 graduate of Georgetown University Law Center, and a 1971 graduate of Knox College.

Sarah Rosen Wartell is the Executive Vice President at American Progress and one of its original architects. After overseeing its operations and planning for many years, she now oversees its policy program, leads its economic policy work, and directly runs its project on the future of the housing finance system. Wartell served as deputy assistant to the president for economic policy and deputy director of the National Economic Council and as a deputy assistant secretary at the Federal Housing Administration in the Department of Housing and Urban Development in the Clinton administration. She has served as a consultant to the Millennial Housing Commission and the William J. Clinton Presidential Foundation. She also practiced law with the Washington, D.C., firm of Arnold & Porter and taught law and technology policy as an adjunct professor and visiting scholar at Georgetown University Law Center. Wartell is also a member of the board of directors of the Corporation for Enterprise Development and the Center for Law and Social Policy. She is a graduate of the Yale Law School and Princeton University.

Jitinder Kohli is a Senior Fellow on the Doing What Works project at American Progress. His work focuses on government efficiency, regulatory reform, and economic issues. Prior to joining CAP, Kohli spent 15 years in the British government. He served as the director general of strategy and communications for the newly formed British Department for Business, Innovation and Skills, overseeing the merger of two government departments; he was the first chief executive of the Better Regulation Executive, where he was responsible for regulatory reform and led efforts to reduce the administrative burden of regulation by 25 percent and to change the culture of regulators to focus on risk; and prior to that, he was head of productivity and structural reform in Her Majesty's Treasury. He has also worked in the British Prime Minister's Strategy Unit. Kohli has degrees from Oxford University and Southampton University. He recently graduated from the Advanced Management Program at the Wharton School.

Acknowledgements

Many who have served in economic policymaking roles or have engaged with government officials to help shape U.S. economic policy gave generously of their time and insight. The authors of this report give them our sincere thanks. The views expressed here, however, are our own only.

The authors also wish to thank our CAP colleagues for their many contributions to this report: Courtney Adrian, Donna Cooper, Gadi Dechter, Rudy DeLeon, Sabina Dewan, Michael Ettlinger, Jordan Eizenga, Jaryn Fields, Kate Gordon, John Griffith, Ed Paisley, Reece Rushing, and K.C. Summers.

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is "of the people, by the people, and for the people."

Center for American Progress

1333 H STREET, NW, 10TH FLOOR, WASHINGTON, DC 20005 • TEL: 202-682-1611 • FAX: 202-682-1867 • WWW.AMERICANPROGRESS.ORG