Council on Competitiveness

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Fact Sheet

Background and Objectives

The Council was founded in 1986 to serve as a focal point for leadership efforts aimed at improving the competitive position of the United States in global markets. It is a private sector outgrowth of the President's Commission on Industrial Competitiveness, which completed its work in 1985. The Council has three basic objectives:

- To assist in developing far-sighted public policies that help American companies and workers compete more effectively.
- To build consensus and cooperation within the business, labor and higher education communities on competitiveness-related public policies and steps they can take to improve their own performance.
- To help educate the American people about the importance, magnitude, and implications of competitiveness issues.

Key Issues

The Council's core agenda is built around four interrelated and interdependent issues: capital formation and investment policies; science and technology; international economics and trade; and human resources.

Policy Programs & Projects

To address public policy issues, the Council publishes reports and position statements which are developed with the assistance of Council members, Council staff, and expert advisors. Major reports have addressed technology, trade and fiscal policies and compared U.S. competitiveness to that of other industrialized nations.

While the reports constitute an important base of knowledge and facts, equally important is the Council's commitment to moving beyond analysis to action. Strategies to implement the Council's recommendations are developed, which include testimony of Council members and staff before Congressional committees, consultation with Congressional and Administration officials, and public education campaigns targeting influential centers of opinion and grassroots communities.

Public Education

To promote public awareness, the Council publishes a monthly newsletter, that chronicles major trends, policies and people affecting competitiveness, and covers competitiveness-related developments in the legislative and executive branches of the federal government. A Competitiveness Index comparing U.S. performance to that of our major competitors is also released annually. The Council's broad-based media education campaign provides regular contact with domestic and foreign, print and broadcast journalists. Council members and staff also participate regularly in conferences and seminars across the country.

Membership

More than 140 chief executives, representing a broad cross-section of American business, higher education and organized labor have accepted the Council's invitation to membership.

In addition, the heads of over three dozen prominent research organizations, professional societies, and trade associations serve as National Affiliates of the Council to help coordinate comprehensive private sector approaches to competitiveness-related issues. Co-Chairmen of the National Affiliates are Richard S. Nicholson, Executive Officer, American Association for the Advancement of Science, and Preston Townley, President, The Conference Board.

Governance

Policy is made by an Executive Committee composed of over two dozen prominent business, labor and academic leaders. Chairman: Paul Allaire, Chairman and Chief Executive Officer, Xerox, Corporation; Vice Chairmen: Thomas E. Everhart, President, California Institute of Technology; Henry B. Schacht, Chairman and Chief Executive Officer, Cummins Engine Company, Inc.; and Jack Sheinkman, President, Amalgamated Clothing and Textile Workers Union, AFL-CIO, CLC.

Funding

The Council is the operating arm of the Foundation for American Economic Competitiveness, a private, non-profit 501(c)(3) organization. The Council is privately supported through contributions from its members, foundations, and other granting institutions.

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WORK IN PROGRESS

ANALYSIS AND ACTION

Economic Security

This project aims to evaluate the degree to which the Cold War national security structures of the government are dealing with the need to enhance our nation's economic security. The Council intends to examine specific decisions to determine whether the Cold War cultures that were so effective in the past have been re-tooled to deal with the new strategic threat of economic competition. The case studies will be used to determine the degree of involvement of the economic agencies in those decisions, the quality and availability of economic impact data and the policy parameters that frame the debate. We will make recommendations to enhance our nation's economic security and will follow up with briefings for senior Administration officials, Congressional testimony and other actions to ensure the implementation of our recommendations.

Reinventing R&D

Shifts in global economic competitiveness have altered relationships among U.S. government, industry and the academic community. In an age when capital has relatively few barriers, products are manufactured worldwide, quality differences are diminishing, and global communications are changing the way businesses operate, a nation's competitive edge is increasingly related to its capacity to innovate. Research and development, the foundation of innovation, have thus become crucial to national economic prosperity. Our objective in this new project is to determine how management of the R&D enterprise is changing and to make recommendations to assure continued U.S. leadership in R&D and increase the nation's competitiveness.

In order to make sure that this project is grounded in concrete experience, we will review trends in industry and explore their broader significance for government and universities. The project will seek discrete outcomes in terms of approximately five sector reports, a final report approved by the Council's Executive Committee, a symposium for the affected stake holders, and an implementation plan to ensure that the recommendations are implemented.

21st Century Information Infrastructure

It is imperative that the private sector develop a consensus and establish some clear guidelines to help steer government policy to stimulate deployment of a 21st century information infrastructure. The purpose of the Council project is four-fold: 1) to establish a vision for America's information infrastructure, 2) to articulate a strategy to achieve that vision, 3) to identify specific demonstration projects, R&D programs and regulations that can drive it, and 4) to outline a program for implementation. It is directed by an advisory committee of leading experts from companies and other organizations that have a stake in information infrastructure, and it will reach out to potential users and the broader policy community to make sure that its recommendations are grounded in solid understanding of the issue. Executive Committee members John Young (formerly CEO of Hewlett-Packard) and Charles Vest (President of MIT) are co-chairmen of the advisory committee for this project.

Implementation Activities

There is an on-going effort at the Council to translate recommendations made in its reports into private action and public policy through an extensive campaign of legislative initiatives, Administration consultation, and media and public awareness. As part of this effort, the Council has formed the Government Affairs Working Group, a coalition of over 40 policy groups, companies, labor unions and universities working together to enact a broad national technology policy. The coalition, chaired by Les Simon, Public Affairs Director of IBM, released an "implementation index" to measure progress of the Administration and the Congress in achieving ten key technology policy goals. At the core of the index are recommendations made in the Council's 1991 report, ***Gaining New Ground: Technology Priorities for America's Future,*** and its 1992 report, ***Industry as a Customer of the Federal Laboratories***.

The Council is also working with the Department of Labor to implement the recommendations contained in the Council's report, ***Elevating the Skills of the American Workforce***, and is working with the National Institute of Standards and Technology to broaden the national quality programs.

The July 1993 release of ***Roadmap for Results: Trade Policy, Technology and American Competitiveness*** marked the beginning of implementation activities in the area of trade, technology and investment. In addition to advocating recommendations for better coordination of trade and technology policy and increased private sector participation in the public policy process, the Council is encouraging productive dialogue between industry, government and the public policy community.

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American Association for the Advancement of Science
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American Council for Capital Formation
American Council on Education
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CAPITAL CHOICES

CHANGING THE WAY AMERICA INVESTS IN INDUSTRY

The U.S. system of allocating investment capital is threatening the competitiveness of American firms and the long-term growth of the national economy. Many American firms invest too little in those assets and capabilities most required for competitiveness (such as employee training or R&D), while others overinvest in areas (such as unrelated acquisitions) that add little to the country's long-term economic strength.

Although critics frequently blame the shortcomings of American industry on "short time horizons," ineffective corporate governance or the high cost of capital, these concerns are just symptoms of a much broader problem — a flawed U.S. system for allocating investment capital to companies and to specific projects within companies.

Reforming the U.S. system will involve complementary changes in public policy, the behavior of institutional investors and the practices of management. A series of changes must be made, ideally all at once. Tinkering around the edges, or changing one aspect of the system without changing other aspects, may be counterproductive.

About the Project

The report is the result of a two-year project on U.S. corporate investment sponsored by the Council on Competitiveness and the Harvard Business School. The project included 18 research papers by 25 academic experts. *Capital Choices* is a synthesis by Project Director and Council Executive Committee member Michael E. Porter (Harvard Business School) that draws on those papers and original research. Funding was provided by the Alfred P. Sloan Foundation.

Although the Council's Executive Committee has not endorsed the specific policy recommendations advanced by this research, the Council is taking the lead in distributing this groundbreaking analysis in hopes that it will trigger a serious debate over how public policies and private practices influence the way that U.S. financial institutions and corporations allocate their investment dollars. ■

KEY FINDINGS

■ ***Less investment overall.*** Aggregate investment in tangible assets (such as plant and equipment) and intangible assets (such as R&D, start-up losses, or training and related forms of corporate human resource development) is lower in the United States than in Japan and Germany.

■ ***Variations by industry.*** Industry by industry, however, investment patterns vary. For instance, leading American firms in many industries (i.e., construction equipment, computers, steel, machine tools and tires) invest less than their Japanese counterparts. In other industries (i.e., aerospace and pharmaceuticals), U.S. firms are the investment leaders.

■ ***Sensitivity to current returns.*** The U.S system is less supportive of investment overall because of its sensitivity to current returns, combined with corporate goals that stress current stock price over long-term corporate value.

■ ***Neglect of intangible assets.*** Due to the importance of financial returns and the limited information available to investors and managers, the U.S. system favors those forms of investment for which returns are most readily measurable, including such physical assets as equipment, factories and property. Investment capital is less likely to go to such intangible assets as R&D, worker training and other forms of human resource development, as well as to build long-term relationships with customers and suppliers. Unfortunately, these are the assets that are becoming increasingly important to industrial competitiveness and the areas where our best foreign competitors are forging past us.

■ ***Divergence of interests.*** The U.S. system creates a divergence of interests among shareholders, lenders, investment managers, corporate directors, corporate managers and employees. For instance, institutional investors' desire for quick returns puts pressure on management not to make the long-term investments needed to produce innovative products and processes — a key component of competitiveness. Another example involves restrictions on debt and equity holdings. Because debt holders are not allowed to hold an equity stake, they are legitimately preoccupied with the

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Challenges

VOL. 7 NO. 1 | COUNCIL ON COMPETITIVENESS | JANUARY 1994

Gore Requests Council Input

Vice President Al Gore's recent policy announcement on information infrastructure reflects the Council's recommendations.

The announcement came shortly after the Council briefed him on their recent report — *Competition Policy: Unlocking the National Information Infrastructure.*

"If America is to develop a world-class information superhighway, we must promote healthy competition at home — competition that enhances consumer benefits, stimulates the development of new products and services, unleashes new technologies, and gives U.S.-based firms an edge in world markets," he stated.

The Council report, Gore said, "outlines a policy framework designed to do just that."

In addition to promoting competition, administration priorities that echoed Council recommendations included:

- Providing open access to communications networks.
- Promoting a flexible definition of universal service and equitable contributions from carriers to support this program.
- Advocating regulations that adapt or diminish overtime. ■

Council Report: Keeping the New Information Highway Open

Imagine an explosion of information services and providers, linking together everything from cable to computers, telephone to wireless, and newspaper and broadcast to academia.

It's already happening. Proposed business alliances and mergers are pushing the information industry forward. It's moving more quickly than anyone thought possible, creating new technologies and a phenomenal opportunity for American competitiveness.

But haggles over market share and regulatory issues could grind this surge of innovation and economic leadership to a halt, a new Council on Competitiveness report warns.

Competition Policy: Unlocking the National Information Infrastructure, released last month, represents a major milestone on the path to an information superhighway. The report reflects an unprecedented consensus among affected parties that a competitive market is, in fact, necessary for the industry to adapt and grow.

The report marks the first time that representatives from long-distance and local telephone companies, alternative access providers, cable companies, utilities, information companies, users, academic institutions, labor unions and public interest groups have agreed on the need for full competition in the communications market and hammered out a transition framework to get there.

Competition Policy is the second in a series of Council reports on creating a 21st century information infrastructure, and it comes at a time when the Clinton administration is developing its own priorities and policies on the subject.

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Paul Allaire

Council Annual Meeting

Kantor, Gergen and other top Clinton officials featured on pages 4-6.

New Council Chairman Puts Quality To Work on Competitiveness

Xerox CEO Paul Allaire learned about the importance of competitiveness on the front line.

In the late '70s, Xerox stood alone as the leader in the copier market. Alone, that is, until strong competitors from Japan entered the picture.

"I had a very clear lesson on the lack of competitiveness and what it can do to a company," Allaire told *Challenges.* "That's when I first realized that we were not competitive as a nation and we needed to do something about it."

Now, as the new chairman of the Council on Competitiveness, Allaire looks back on the changes his company and the nation have made with hope for the future.

A major change for Xerox, and the key to its continued success, has been the application of total quality management principles. Those same principles have also helped U.S. manufacturing overall improve its previously weak competitive position.

"I think we are seeing good progress in U.S. manufacturing, mostly because of quality," he said. "I'm not saying we're where we need to be,

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GAINING NEW GROUND:

TECHNOLOGY PRIORITIES FOR AMERICA'S FUTURE

HIGHLIGHTS

Gaining New Ground is a major new report from the Council on Competitiveness that identifies critical generic technologies driving the American economy and explains what the nation must do to strengthen its leadership in them. The report represents the first-ever U.S. private-sector consensus on U.S. priorities in technology. The critical technologies cut across nine major sectors of the economy, which together account for over $1 trillion of sales. It describes where the United States is ahead, where it is behind and, more important, what U.S. government, labor, industry and universities can do to improve America's performance. The report reflects the strong conviction of leading American private-sector executives that unless the nation acts immediately to promote its position in critical generic technologies, U.S. technological competitiveness will erode further, with disastrous consequences for American jobs, economic growth and national security.

KEY FINDINGS

■ **THERE IS A BROAD DOMESTIC AND INTERNATIONAL CONSENSUS ABOUT THE CRITICAL GENERIC TECHNOLOGIES DRIVING ECONOMIC GROWTH AND COMPETITIVENESS.**
The U.S. government, the Japanese Ministry of International Trade and Industry, and the European Community have all identified similar critical technologies. Given this consensus, it is time to move beyond making lists. We must begin implementing programs to strengthen U.S. leadership in critical technologies.

■ **THE U.S. POSITION IN MANY CRITICAL TECHNOLOGIES IS SLIPPING AND, IN SOME CASES, HAS BEEN LOST ALTOGETHER. FUTURE TRENDS ARE NOT ENCOURAGING.**
America pioneered such technologies as numerically controlled machine tools, robotics, optoelectronics, semiconductors and memories only to lose leadership in them to foreign competitors. Moreover, in many critical technologies, ranging from leading-edge scientific equipment to precision bearings, trends are running against U.S. industry.

■ **JAPAN, EUROPE AND OTHER FOREIGN GOVERNMENTS ARE SYSTEMATICALLY PURSUING LEADERSHIP IN CRITICAL TECHNOLOGIES.**
The most successful efforts combine funding with extensive public-private collaboration.

■ **U.S. PUBLIC POLICY DOES NOT ADEQUATELY SUPPORT AMERICAN LEADERSHIP IN CRITICAL TECHNOLOGIES, AND U.S. NATIONAL PRIORITIES DO NOT SUFFICIENTLY ADDRESS ISSUES RELATED TO THE ROLE OF TECHNOLOGY IN U.S. COMPETITIVENESS.**
Government R&D programs need to be reinforced by policies that encourage sharing of the costs and results of precompetitive research and

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Challenges

VOL. 7 NO. 4 | COUNCIL ON COMPETITIVENESS | APRIL 1994

Education Secretary Riley On School, Work and High Expectations

A comprehensive plan for American education that starts with high standards is the key to preparing children for a globally competitive world, according to U.S. Education Secretary Richard Riley.

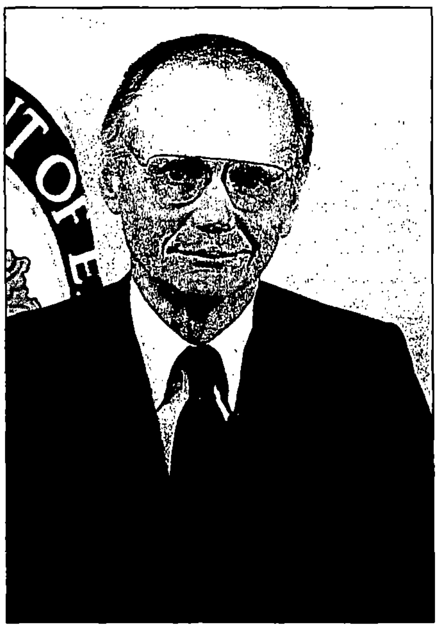
"There's no place in the economy now for people who have a watered-down education," Riley told *Challenges* in a recent interview. "Everybody has to work and try to get that message out."

For the federal government, Riley said, that means pushing for legislation like reauthorization of the Elementary and Secondary Education Act. The legislation includes providing federal funds to the highest-poverty schools, making schools safer and bringing the information highway into schools.

Another legislative concern is the School-to-Work Opportunities Act, which would help create high school apprenticeship-type programs for the many students who don't pursue college.

The administration's efforts paid off with the passage of Goals 2000, which provides states with objectives for their academic standards.

Along with setting policy, Riley said, the federal government also has a responsibility to help people understand the importance of life-long learning. Research has shown, Riley pointed out, that the higher the education level of a population is, the lower the unemployment and the higher the earning potential.



Education Secretary Richard Riley

"It's important," he said, "for us to say that education does matter, that it is connected to quality of life."

All of these issues, the secretary explained, are wrapped up in the Clinton administration's fundamental view that every child can learn and that the single-shot approaches of the 1980s were not enough.

"Not that the one-shots were bad. They just didn't help the

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War Games for Global Market Competition

Recently, a group of American industry representatives got together with some U.S. government officials and played war.

Not with tanks and bomber jets, but with economic strategies and market projections. It was just a game, called Prosperity Games, based on the defense War Games, but the activity had a very real objective: Improve industry-government cooperation to boost American competitiveness.

Unlike a policy conference, where generally people listen to speakers, Prosperity Games are interactive, focused and highly charged, explained game director Pace VanDevender of Sandia National Laboratories.

Unlike governmental agencies that play out similar what-if economic scenarios internally, these games bring in all sides: industry, government, national laboratories, and those in the advisory community, such as universities.

"It's a learning tool," VanDevender said.

Through Prosperity Games, industry leaders are brought together, giving them the opening for relationships that might lead to joint, long-term strategies.

Meanwhile, VanDevender said, "The government walks out with an innovative understanding of industry concerns, so that they can go back and construct policy better.

"And the labs and the universities walk away with a better understanding of their customers in both industry and government."

Working for Solutions

The project was hatched last summer, after VanDevender took a new Sandia title: national industrial alliances director. He spent a lot of time talking to people on all sides of the competitiveness issue to find out what Sandia could do to help.

"We realized that we didn't have a solution," he said of the lab, "but we could provide a forum for people to work toward solutions."

A chat with a Defense Department technology development official — who, incidentally, had just returned from two weeks with the Navy reserve — provided the idea. Prosperity Games were born.

'An Outstanding Activity'

The first game, in January,

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Council on Competitiveness

MEMORANDUM

TO: Bill Galston

FROM: Mildred Porter

DATE: April 22, 1994

SUBJECT: Kent Hughes Request

I understand you talked with Kent Hughes about the Council, specifically our report, *Looking for Leadership: The Public, Competitiveness and Campaign '92.*

Enclosed is a copy of the report, some background polling information and some information on the Council. Kent thought you might also be interested in viewing the tapes of the focus groups. I am in the process of tracking them down. Once I find them, I'll let you know. I'm also sending the enclosed information to David Kusnet.

Hope all is going well for you. Its nice to see some of the old DLC group working in the White House.

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COUNCIL ON COMPETITIVENESS

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LOOKING FOR LEADERSHIP:

THE PUBLIC, COMPETITIVENESS AND CAMPAIGN '92

PREFACE

Job opportunities for those just starting out. Job security for older workers. The standard of living for the average family. The affordability of health care, housing and other necessities. The loss of key industries.

By virtually every benchmark, Americans are increasingly concerned about the current economic situation and are fearful about the future. Even more significantly, they are looking for strong federal and private-sector leadership to restore the nation's economic and technological vitality.

Indeed, the concern about America's economic future and commanding support for a more direct and active government are the major messages that emerged from the first phase of the Council's Campaign '92 Project — a nationwide poll of 1,003 Americans, supplemented by focus group interviews with 91 citizens in Denver, Indianapolis, Atlanta and Portland (OR). The poll, conducted by two of America's leading pollsters (Republican pollster Linda DiVall of American Viewpoint and Democratic pollster Geoffrey Garin of Peter D. Hart Research Associates), looks at how American voters view competitiveness, the economy and their own standard of living and what they expect leaders to do to address these issues.

The Council believes the findings offer a powerful message to the 1992 presidential candidates from both parties. If candidates are willing to talk straight with the American voters about the economy, if candidates can help them understand how their standard of living is affected by such competitiveness-related issues as technology, international trade, job training and the development of key industries and how those issues influence each other, the voters will be poised to respond accordingly. If candidates challenge them with a vision of leadership that embraces coalition-building and partnerships, we believe the American people will follow that vision.

To be sure, voters don't always seem to speak with a single voice on these issues. Inconsistencies and contradictory opinions can be found. Voters don't always recognize the linkages between the ability of the *nation* to compete and their *personal* standard of living. Moreover, they don't always appreciate the importance of leadership in key technologies. That's why education about the issues and the solutions is so essential.

For its part, the nonpartisan Council on Competitiveness intends to build on the findings of this preliminary research. The Council's

Campaign '92 project represents the first time the nation's leading CEOs, labor officials and university presidents have made a systematic, concerted effort to get competitiveness issues on the campaign agenda. To that end, we will be briefing the candidates and their key staffs, sharing our research and analysis with the media and other groups, and mounting a public awareness campaign in key primary states to help engage the voters and the candidates in this important dialogue about our future.

While the current mood is grim, we are hopeful that it provides a unique opportunity to face the facts about the U.S. economy and about how the rest of the world has changed the rules of economic competition. We hope this will represent the first step in developing broad public support for a policy agenda that will help American companies and workers compete more effectively in the years ahead.

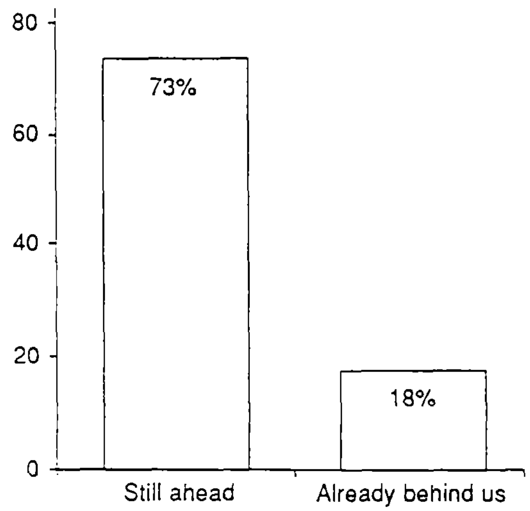
George Fisher

George M. C. Fisher
Chairman

Losing Control

"Expectations have been so high, but we're going to have to settle for so much less...because we're not in control any longer." *

THE WORST IS YET TO COME
Thinking about the challenge to America posed by foreign economic competition, would you say that the most difficult period *is still ahead* for America, or that the most difficult period *is already behind* us?



Calling For Leadership

"If we are talking about a presidential candidate making [strengthening U.S. economic competitiveness] a priority, I think that may be the one thing where our leadership right now is really lacking and where somebody needs to say, okay, we are going to get this thing going and straightened out."

A Bleak View of America's Economic Future

Americans are voicing increasing concern about the nation's ability to compete. By 38% to 21%, they think America's ability to compete has worsened rather than improved in the past few years. And a commanding majority (73%) think America's most difficult competitive challenges still lie ahead *(see chart above)*. Looking at the current situation, 42% of Americans rate the U.S. ability to compete economically as excellent or good, 34% as just fair and 22% as not so good or poor.

Looking ahead to the year 2000, nearly half of Americans (46%) lack confidence in America's ability to meet its goals in terms of competing economically in the world and dealing with foreign economic competition.

A majority of Americans (77%) think Japan is ahead of the U.S. in terms of its ability to compete economically in the world, while 57% feel Japan has been competing unfairly and breaking the rules of fair trade. A majority want reciprocal trade relations.

A Failure to Adjust

However, American voters think the leading reason for America's competitiveness problems is that the country has not adjusted to the new global marketplace and the new challenges it poses. They say this failure to adjust is more to blame than Japanese trade abuses or a declining American work ethic and commitment to quality *(see chart on page 4)*.

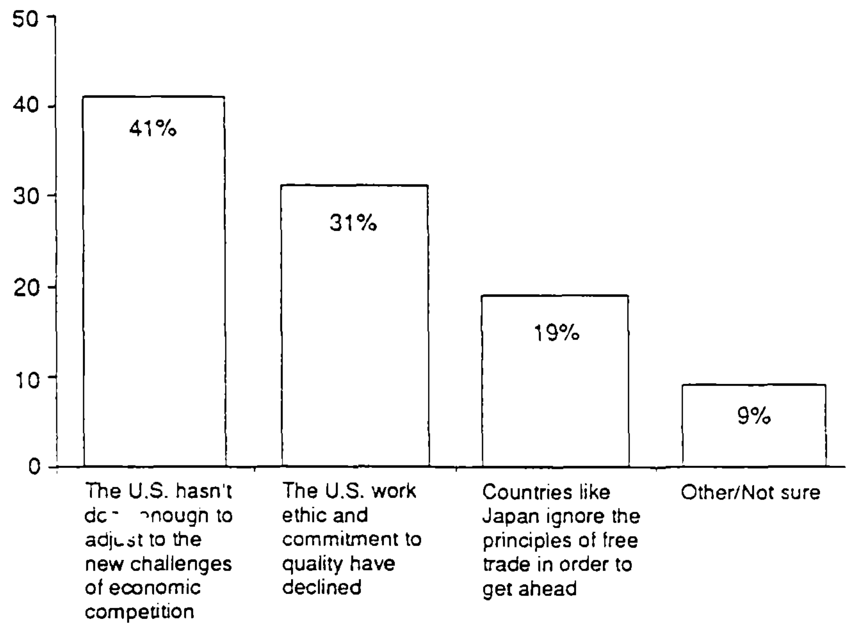
Among a host of possible specific reasons why the U.S. is having problems competing economically, 68% of Americans said we are providing too much help for foreign countries and are not doing enough to put America first. Other top reasons cited included excessive corporate executive salaries, lack of savings, the federal budget deficit and rising Japanese investment in the U.S.

* This excerpt is drawn from a series of focus groups held across the country. Other excerpts can be found throughout the report.

Fair Rules

"In a global economy, if we're competing with free market rules, then everyone that we deal with should follow the same rules."

WHY IS THE U.S. FALLING BEHIND?
Which reason best explains why America may have problems competing economically in the world?



Paying the Piper

"I think we're living on borrowed time economically. We do have a very high standard of living compared to other nations, other Eastern European nations — but I think we're going to have to "pay the piper," so to speak, in a few years."

Economic Strength: A Top Voter Priority

These findings underscore the widespread belief that economic issues stand to be more politically salient than in any presidential election since 1980, according to Democratic pollster Geoffrey Garin of Peter D. Hart Research Associates and Republican pollster Linda DiVall of American Viewpoint. In our national poll taken this Fall, improving the economy and strengthening America's technological leadership in the world was selected as the most important goal for America to achieve in the next five years — ahead of such other priorities as cracking down on crime and drugs, holding down taxes and maintaining America's military strength.

And a majority of voters (56%) said a candidate who made strengthening America's economic leadership the main issue of his campaign would appeal to them a great deal or quite a bit.

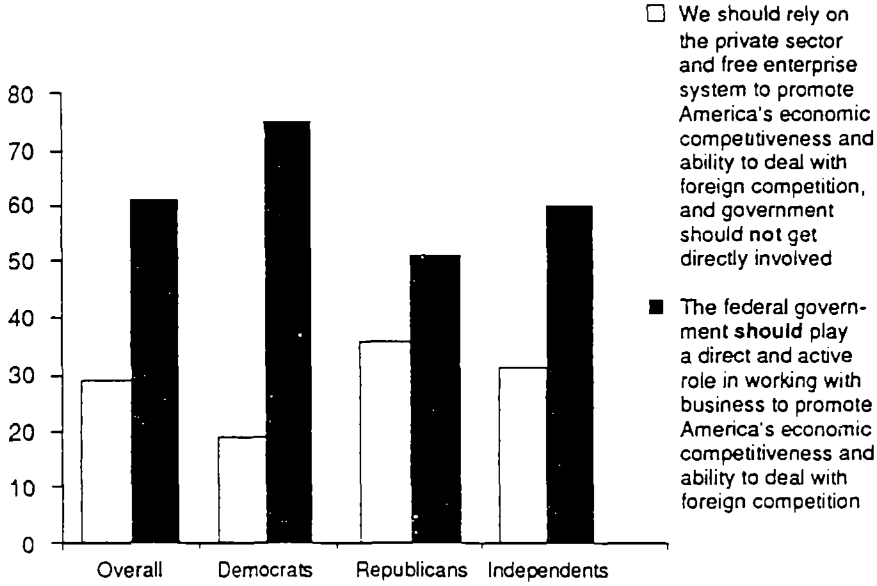
Wanted: A More Active Government

Moreover, a majority of Americans (61%) endorse a *direct and active* federal government role in working with business to promote America's economic competitiveness. Only 29% say we should rely solely on the private sector and the free enterprise system to boost U.S. competitiveness *(see chart on page 5)*.

Support for a direct and active federal role in boosting competitiveness was evident across all political parties, winning approval from a majority of Republicans, Democrats and Independents.

When asked what measures would help America compete, a majority of voters strongly endorsed more training and retraining for workers, increased emphasis on education, tougher trade policies and the use of tax laws to provide incentives for savings. A near majority strongly endorsed restricting foreign imports and foreign ownership of American property and companies, targeting tax breaks to encourage investment in key industries, having the government devote more tax funding for R&D on cutting-edge technologies, setting a goal to ensure that America is competitive in key technologies, such as computer chips (even if government helps select

WHAT'S THE GOVERNMENT'S ROLE?
Which of the following statements comes closer to your point of view?



More R&D

"Unless you have top-notch research and development, you don't have number one in technology. Therefore you are not a leader in developing new products or new ways of doing things to be more competitive."

particular industries for assistance), and extending the school year.

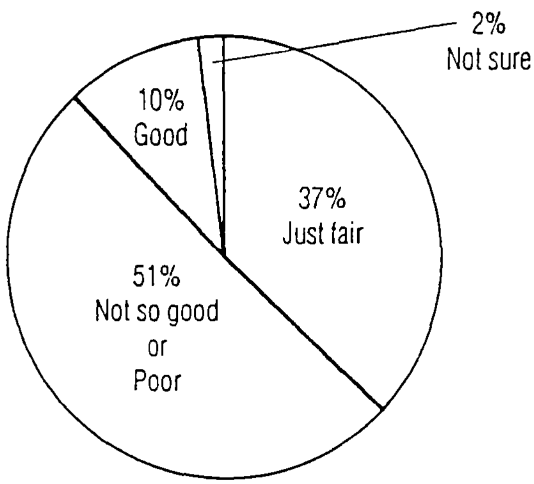
The findings highlight that Americans are looking to government, business and academic institutions to work together to improve America's economic competitiveness. Just as voters want the government and business to cooperate on solutions, they also single out those sectors for contributing to the problems. Nearly three-fourths of Americans (73%) blame the U.S. government a great deal or quite a bit for U.S. competitiveness problems. After government, they blame American business (63%), America's education system (53%), unfair competition from foreign countries (49%), American consumers (39%), and labor and American workers (38%). Although the voters are looking for leadership from government and want the President and Congress to work together, they give the President higher marks for his initiatives (53% approve) than the Congress (25% approve).

Worried About the Economy

Concerns about competitiveness track closely with fear about economic trends generally. Only 10% rate economic conditions as good, 37% as just fair and 51% as not so good or poor. None rate it as excellent *(see chart on page 6)*.

Voters are even more critical about specific economic problems. For instance, only 13% of Americans think job opportunities for young people just starting out are excellent or good, 54% think they are not so good or poor, and 62% think they are getting worse. Only 6% of Americans think the affordability of health care, housing and other necessities is good, 68% think it's not so good or poor and 86% think the situation is getting worse. Only 16% of Americans think the standard of living is good or excellent, 36% think it's not so good or poor, and 60% think it's getting worse.

HOW BAD IS THE ECONOMY?
How would you rate the condition of the national economy today?



Best Years of Our Lives?

"My husband is a professional and I have two degrees ... These are supposed to be the best years of our lives and we are supposed to be really on top of the world in terms of our income and our lifestyle and all these wonderful things. And it is just not there. It is just not there."

Feeling the Pinch

Voters are equally grim about their own financial situation. Scarcely one-third of Americans (36%) describe their present financial situation as excellent or good, and nearly four times as many (54% to 15%) say it's harder to achieve their financial and economic goals these days.

Americans across *all* income levels and occupations are saying that times are tougher. For instance, 53% of upper-income Americans, 53% of middle-income Americans and 61% of lower-income Americans agree that their economic and financial goals are becoming harder to achieve.

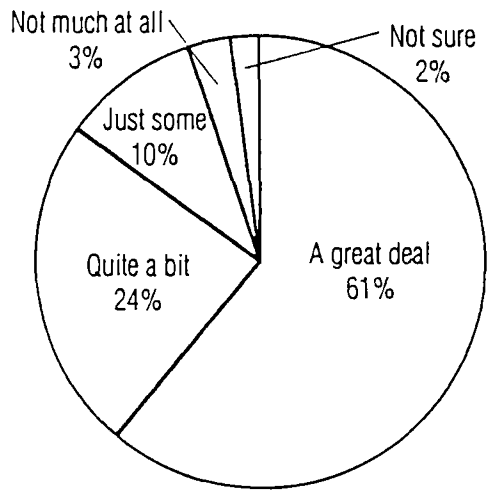
The Challenges Ahead

The Council believes findings such as these clearly show what the public expects from the presidential candidates. Fearful about their economic future and recognizing that there are no quick fixes, voters are ready to listen to candidates who will focus on economic issues and who will advance a vision of what it will take to regain our economic and technological leadership. As the poll shows, more than 6 in 10 Americans are looking to the government to play a direct and active role in boosting U.S. competitiveness.

To be sure, successful candidates face several challenges in getting their message across. For one, voters do not always make the link between their growing concern about the economy and how that relates to our competition with foreign nations. For instance, while three-quarters of Americans believe Japan is ahead of the United States, a majority (53%) also believe that it's *not important* for the U.S. to regain its number-one position — as long as we remain "one of several leading economic powers."

The Council believes this willingness to allow the U.S. to lose its position in the world suggests that many Americans do not fully understand the consequences of America's ability to compete in the global economy.

THE NEED FOR COOPERATION
Realistically speaking, how much do you think the President and Congress working together can do to improve America's strength in the world?



Straight Talk from Leaders

"I think [the presidential candidate] could start by pointing out statistically how the average U.S. citizen is affected or will be affected by what I call the economic crisis in the country."

Some might ask: "Are Americans ready to accept a second- , third- or fourth-place mentality? Have they given up?" The Council hopes not. But it will require political leadership to help citizens understand what's at stake in this debate. As the focus-group discussions demonstrated, Americans seem ready for such straight talk.

The Council's poll found broad support for many specific items on the competitiveness agenda, especially education and job training. Tougher trade policies and savings were also supported.

The Council believes public support in areas such as these provides a good foundation for building a similar consensus on the need for related improvements, especially in the area of policies designed to restore America's technological leadership.

To help address problems such as these, American voters want all branches of government and the private sector to concentrate on improving the nation's competitive standing. A vast majority (85%) believe the President and Congress working together can do a lot to improve America's economic strength in the world *(see chart above)*. And when asked what kind of candidate would appeal to them more, 61% of voters would chose a candidate who emphasizes the need to work with business and corporations to strengthen America's economic position.

Again, the challenge is to help Americans understand more clearly what we are up against — and what we have to do, together, to secure our future prosperity. Ultimately, that is the test of leadership.

Background on the Poll and the Focus Groups

Poll results are based on a nationwide telephone survey of 1,003 American adults. The nonpartisan poll was conducted jointly by Democratic pollster Geoffrey Garin (Peter D. Hart Research Associates, Inc.) and Republican pollster Linda DiVall (American Viewpoint) from September 6-10, 1991. The poll has a statistical margin of error of +/- three percent.

In addition to the poll, a total of eight focus groups were conducted in Indianapolis, Denver, Portland (OR) and Atlanta.

NEXT STEPS

This poll is just the beginning. In an unprecedented joining together of business, labor and academia, the nonpartisan Council on Competitiveness will continue to work to get political parties to adopt competitiveness issues as part of the presidential campaign agenda. To follow up on the public opinion research, the Council will be pursuing a number of activities:

- The Council will brief the presidential candidates and key members of their staff as well as party officials about the findings of the poll and the focus groups.
- In an effort to ensure that competitiveness is at the center of the campaign, the Council will share its research and analysis with the media and other groups.
- The Council is planning to hold public forums in early caucus and primary states, such as Iowa, New Hampshire and California.
- With the help of organized labor and other groups, the Council will pursue a national awareness campaign to help engage the voters and the candidates in this important dialogue about the nation's future.
- Through publications and conferences, the Council plans to continue to communicate the competitiveness message to voters around the country.

ABOUT THE COUNCIL

Founded in 1986, the Council on Competitiveness is a nonprofit, nonpartisan organization of chief executives from business, higher education and organized labor who have joined together to pursue a single overriding goal: to improve the ability of American companies and workers to compete more effectively in world markets.

To build consensus within the public and private sectors on the actions needed to help Americans compete, the Council pursues a three-part agenda: increase public awareness of the breadth and severity of America's economic problems; mobilize the political will required to set the United States on a positive economic course; and assist in the development of specific public policies and private-sector initiatives. To that end, the Council focuses on issues in the areas of science and technology, fiscal policy, international economics and trade, and human resources.

The Council is governed by an executive committee and draws on the resources of its national affiliates — more than two dozen trade associations, professional societies and research organizations — to help analyze issues and develop consensus. The Council is privately supported through contributions from its members, foundations and other granting institutions.

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PETER D. HART RESEARCH ASSOCIATES, INC.
AMERICAN VIEWPOINT

Interviews: 1003 respondents
Date: September 1991

49	Male
51	Female
	[5]

FINAL

Study #3361
Competitiveness
September 1991

AREA		TYPE	SAMPLE POINT			FORM		DATE		
							September			1991
[6]	[7]	[8]	[9]	[10]	[11]	[12]		[13]	[14]	

I'm calling from Peter Hart Research, the national public opinion polling firm. We are conducting a survey across the nation, and I'd really appreciate the chance to get your opinions on a few questions. (CHECK BELOW FOR THE CATEGORY OF RESPONDENT YOU ARE SUPPOSED TO ASK FOR, THEN SAY:) Your number was selected at random, and in this household, I am supposed to speak with the (youngest/oldest) (man/woman) age 18 or over who is at home now.

PERSON TO ASK FOR

___ ASK FOR YOUNGEST

___ ASK FOR OLDEST

(REPEAT INTRODUCTION IF RESPONDENT IS NOT THE PERSON WHO FIRST ANSWERED THE PHONE.)

1. Are you registered to vote at this address?

Registered	100	CONTINUE	[15]
Not registered	-	TERMINATE AND DO NOT	
Not sure	-	COUNT TOWARD QUOTA	

2. Generally speaking, do you think things in the nation are going in the right direction these days, or do you feel things are pretty seriously off on the wrong track?

Right direction	32	[16]
Wrong track	55	
Not sure	13	

3. What would you say are the two or three issues or problems facing the nation that most concern you these days? (**DO NOT READ CHOICES.** ACCEPT NO MORE THAN THREE RESPONSES. BE SURE TO CLASSIFY PROPERLY. IF UNSURE, WRITE RESPONSES BELOW. IF RESPONDENT MENTIONS ANYTHING ABOUT "ECONOMY," PROBE FOR SPECIFICS. THEN CIRCLE APPROPRIATE ANSWER AND RECORD VERBATIM RESPONSE UNDER ECONOMY CATEGORY.)

ECONOMY (Net)	48	
Economy generally	20	[17]
Farm problems, agriculture	1	>
Inflation, prices	5	
Interest rates	1	
Jobs, unemployment	22	
New industry needed	1	
Foreign competition, trade, and imports	3	
Wages, better jobs	3	
Other economic issue (**SPECIFY:**)	-	

FOREIGN POLICY/DEFENSE (Net)	12	
Defense spending--cut defense budget	2	[18]
Defense--strengthen	1	>
Eastern Europe	-	
Foreign aid--reduce	3	
Foreign policy	2	
Improve Soviet relations	1	
Soviet Union's problems/unrest	1	
War; keep peace; nuclear arms race	2	

TAXES/GOVERNMENT SPENDING (Net)	29	
Budget deficit	12	[19]
Government waste, mismanagement	7	>
Taxes--too high	8	
Taxes--unfair	2	
Welfare abuse	4	
SOCIAL PROGRAMS (Net)	49	
AIDS	2	[20]
Child care, day care	1	>
Education, schools	23	
Elderly	4	
Health care, costs	12	
Poverty, homelessness, social services	18	
Social Security, Medicare	2	
OTHER DOMESTIC PROBLEMS (Net)	37	
Abortion--pro-choice	3	[21]
Abortion--pro-life	2	>
Crime	14	
Drugs	15	
Environment, pollution	7	
Roads and highways	-	
OTHER (Net)	6	[22]
Racial issues	2	
Lack of morals	2	
Other (Specify)	2	
None/not sure	4	

4a. I'd like to read you a list of goals and then get your opinion on which one is the most important goal for America to achieve in the next five years. (READ LIST SLOWLY, MAKING SURE RESPONDENT HEARS ALL ITEMS BEFORE GIVING ANSWER. START AT THE BOTTOM ON EVERY OTHER INTERVIEW. ACCEPT ONLY ONE RESPONSE AND RECORD BELOW UNDER 4a.)

	4a. Most Important		4b. Second Most Important	
Improving the economy and strengthening America's technological and industrial leadership in the world	24		14	
Doing more to help those in need, such as the poor and the homeless	15	[23]	17	[24]
Meeting the needs of middle class families on issues like health care and education	18		20	
Cracking down on crime and drugs	14		16	
Holding down taxes and cleaning up wasteful government spending	12		13	
Maintaining America's military strength and leadership for promoting peace and freedom in the world	5		7	
All equally important (VOL)	10	SKIP TO Q.5a.	-	
Other/none (VOL)	1		-	
Not sure	1		1	
No most important problem	-		12	

4b. And which of these goals do you feel is second most important for America to achieve in the next five years? (READ REMAINING ITEMS. ACCEPT ONLY ONE ANSWER AND RECORD ABOVE UNDER 4b.)

(ASK EVERYONE.)

5a. How would you rate the condition of the national economy today--excellent, good, just fair, not so good, or poor?

Excellent	-	Not so good	28	[25]
Good	10	Poor	23	
Just fair	37	Not sure	2	

(FORM A)

5b. What do you feel are the most important economic problems or challenges facing the country today?

(PROBE:) What would you say are the most important economic goals for the country?

The federal budget defecit	27%	
Unemployment, job opportunities	26	
Overspending, wasteful spending	15	[26-29]
Education, better educated people	13	
Poor, homeless	9	
Don't know, no response	1	

9a. How would you rate America's ability to compete economically in the world and deal with foreign economic competition--excellent, good, just fair, not so good, or poor?

Excellent	8	Not so good	15	[55]
Good	34	Poor	7	
Just fair	34	Not sure	2	

(FORM A)

9b. Why do you feel that way?

(PROBE:) What stands out about America's ability or inability to compete economically with other countries?

Net Positive Impressions	40%	Net Negative Impressions	72%	
America is the richest country, a strong country, we have a lot to offer	9	American made products are too expensive, not affordable	13	
We have the potential, the ability to do anything we want	6	America produces poor quality products, lack of quality control	12	
US produces good products, good quality products	6	American workers have no ethics, no pride in what they do, lazy	10	[56-63]
Technological superiority	6	Unions are too strong, too demanding	7	
American workers are willing to work, well trained, knowledgeable	5	USA not trying to compete, lack of confidence, ambition	6	
Don't know, no response	8			

(BOTH FORMS)

9c. And would you say America's ability to compete economically in the world and deal with foreign economic competition has gotten better, gotten worse, or stayed about the same over the past few years?

Gotten better	21	Stayed about the same	37	[64]
Gotten worse	38	Not sure	4	

9d. Thinking about the challenge to America posed by foreign economic competition, would you say that the most difficult period <u>is still ahead</u> for America, or that the most difficult period <u>is already behind</u> us?

Still ahead	73	Depends (VOL)	4	[65]
Already behind	18	Not sure	5	

(FORM B)

9e. Who or what do you blame for the difficulties America may face in competing economically with other countries?

(PROBE:) Who or what are the biggest obstacles to America's ability to deal with foreign economic competition?

Blame the political system, the government	23	
President Bush, present administration	19	
Blame us, the people	12	[66-69]
Corporate heads, business owners who are only interested in a fast buck	11	
American workers have no pride, no work ethics	7	
Don't know, no response	11	

(BOTH FORMS)

10a. In terms of economic strength and the ability to compete economically in the world, would you say the United States is ahead of or behind Japan today?

U.S. is ahead of Japan	15	[70]
U.S. is behind Japan	77	
U.S. is about even with Japan (VOL)	4	
Not sure	4	

10b. Do you feel that Japan has been competing with the U.S. fairly and is playing by the rules of fair trade, or has been competing unfairly and is breaking the rules of fair trade?

Competing fairly	25	[71]
Breaking the rules of fair trade	57	
Not sure	18	

(FORM A)
10c. And in terms of economic strength and the ability to compete economically in the world, would you say the United States is ahead of or behind Germany?

U.S. is ahead of Germany	64	[72]
U.S. is behind Germany	17	
U.S. is about even with Germany (VOL)	5	
Not sure	14	

(FORM A)
10d. Do you feel that Germany has been competing with the U.S. fairly and is playing by the rules of fair trade, or has been competing unfairly and is breaking the rules of fair trade?

Competing fairly	49	[73]
Breaking the rules of fair trade	17	
Not sure	34	

(FORM A)
11. Do you feel that being number one in the world economically is an important goal for America, or that being number one is not that important a goal, as long as we're one of several leading economic powers?

Being number one is important goal	42	[74]
Being number one is not important, as long as we're a leading economic power	53	
Not sure	5	

(FORM B)
11. Do you feel that having the world's number one standard of living is an important goal for America, or that having the number one standard of living is not that important, as long as our standard of living is reasonably good?

Having number one standard of living is important goal	40	[75]
Being number one is not important, as long as standard of living is reasonably good	57	
Not sure	3	

(FORM A)
12a. To the extent that you feel America has problems with its ability to compete economically in the world, how much of the blame would you say (READ FIRST ITEM) deserves--a great deal, quite a bit, just some, or very little? (REPEAT FOR EACH REMAINING ITEM. ROTATE ORDER ON EVERY OTHER INTERVIEW.)

	A Great Deal	Quite A Bit	Just Some	Very Little	Not Sure	
The U.S. government	44	29	20	3	4	[76]
American business corporations	34	29	26	6	5	[77]
Labor and American workers	19	19	34	23	5	[78]
America's education system	28	25	25	17	5	[79]
American consumers	20	19	30	25	6	[80]
Unfair competition from foreign countries	29	20	25	18	8	[81]

12b. I'm going to read you a number of possible reasons for the problems that America has in competing economically with other countries. For each one, please tell me whether you think it is a very major reason, somewhat major reason, or only a minor reason for the problems America has in competing economically with other countries. (READ EACH ITEM AND REPEAT CHOICES IF NECESSARY. START AT THE BOTTOM ON EVERY OTHER INTERVIEW.)

	Very Major Reason	Somewhat Major Reason	Only A Minor Reason	Not Sure	
American business is too concerned with short-term profit rather than long-term investment *	51	32	12	5	[82]
The work ethic among American workers isn't as strong as it needs to be *	45	33	18	4	[83]
The education system is not providing young people with the skills and training they need *	53	28	17	2	[84]
The U.S. does not invest enough in research and development *	31	31	33	5	[85]
Trade should be a two-way street, but Japan and other countries are competing unfairly in terms of imports and exports	51	27	15	7	[86]
The U.S. government doesn't pay special attention to the most important industries, and acts like making potato chips is as important as making computer chips *	36	29	24	11	[87]
The federal budget deficit is hurting our ability to compete economically in the world *	57	25	12	6	[88]
The government is not doing enough to protect American jobs and industries from unfair foreign competition *	55	27	12	6	[89]
American workers demand excessive wages and make our products too expensive, compared to the foreign competition *	43	32	22	3	[90]
American business managers don't care enough about keeping jobs in American *	53	28	16	3	[91]
The U.S. has been too concerned with helping other countries and has not done enough to put America's needs first *	68	20	11	1	[92]
American consumers borrow and rely on credit too much and don't put enough money into savings *	63	23	11	3	[93]
We are allowing other countries like Japan to own and control too much of our manufacturing and real estate *	63	17	16	4	[94]
There are too many corporate mergers and takeovers in the U.S. *	47	27	19	7	[95]
We're not making the kind of quality products that can compete with foreign-made products	37	29	29	5	[96]
The Japanese work too hard and are willing to sacrifice their leisure time and personal lives in a way Americans wouldn't want to do *	53	22	19	6	[97]
There is not enough cooperation between the U.S. government and business *	34	37	20	9	[98]
Too corporate executives pay themselves excessive salaries, even when their companies are not performing well *	66	20	10	4	[99]
U.S. industry falls short in being able to turn technology into products that sell in the marketplace *	34	37	22	7	[100]

* Asked of one-half the respondents.

13a. In your opinion, which one of the following reasons best explains why America may have problems competing economically in the world and dealing with foreign economic competition? (READ CHOICES SLOWLY, ROTATING ORDER ON EVERY OTHER INTERVIEW.)

Countries like Japan are out to be number one economically, and they ignore the principles of free trade in order to get ahead	19	[101]
The world has changed to become a global marketplace, and the U.S. hasn't done enough to adjust to the new challenges of economic competition	41	
The American work ethic and commitment to quality have declined, and other countries are trying harder	31	
All (VOL)	5	
Other/none (VOL)	1	
Not sure	3	

(FORM A)

13b. Now I'm going to read you a short statement. Do you tend to agree or to disagree that one reason America has fallen behind economically is because we worry too much about military competition and not enough about competing economically in the world?

Agree	52	Some of both (VOL)	5	[102]
Disagree	39	Not sure	4	

(BOTH FORMS)

14. Would you say the issue of America's ability to compete economically with foreign countries directly affects you and your family, only indirectly affects you and your family, or does not really affect you and your family?

Affects directly	47	Does not really affect	12	[103]
Affects only indirectly	39	Depends (VOL)	1	
		Not sure	1	

15a. From what you know, is the average wage for workers in the United States higher, lower, or about the same as that for workers in Japan?

Higher	52	About the same	10	[104]
Lower	15	Not sure	23	

15b. From what you know, is the standard of living for the average family in the United States higher, lower, or about the same as that for the average family in Japan?

Higher	57	About the same	15	[105]
Lower	12	Not sure	16	

(FORM B)

15c. And from what you know, is the average wage for workers in the United States higher, lower, or about the same as that for workers in Germany?

Higher	42	About the same	19	[106]
Lower	12	Not sure	27	

(FORM B)

15d. And from what you know, is the standard of living for the average family in the United States higher, lower, or about the same as that for the average family in Germany?

Higher	49	About the same	23	[107]
Lower	10	Not sure	18	

(BOTH FORMS)

16a. Realistically speaking, how much do you think the president of the United States can do to improve America's economic strength in the world--a great deal, quite a bit, just some, very little, or not much at all?

A great deal	30	Just some	30	[108]
Quite a bit	26	Not much at all	11	
		Not sure	2	
		Very little	1	

16b. Do you approve or disapprove of the job President Bush is doing in trying to improve America's economic strength?

Approve	53	In between (VOL)	9	[109]
Disapprove	32	Not sure	6	

16c. Realistically speaking, how much do you think the U.S. Congress can do to improve America's economic strength in the world--a great deal, quite a bit, just some, or not much at all?

A great deal	48	Just some	15	[110]
Quite a bit	29	Not much at all	6	
		Not sure	2	

16d. Do you approve or disapprove of the job Congress is doing in trying to improve America's economic strength?

Approve	25	In between (VOL)	7	[111]
Disapprove	59	Not sure	9	

16e. And, realistically speaking, how much do you think the president and Congress working together can do to improve America's economic strength in the world--a great deal, quite a bit, just some, or not much at all?

A great deal	61	Just some	10	[112]
Quite a bit	24	Not much at all	3	
		Not sure	2	

17. Now I'm going to read you some trends people have noticed about America's economic situation. For each one, please tell me how much it concerns you--a great deal, quite a bit, somewhat, or not much at all. (READ EACH ITEM AND REPEAT CHOICES. START AT THE BOTTOM ON EVERY OTHER INTERVIEW.)

	A Great Deal	Quite A Bit	Some-what	Not Much	Not Sure	
The standard of living for the average American family has declined	44	21	24	10	1	[113]
America has lost entire industries, including consumer electronics such as VCRs and TVs	49	23	18	9	1	[114]
America has gone from being the number one creditor nation to the number one debtor nation	63	20	10	5	2	[115]
Countries like Japan own an increasing share of American businesses and real estate	54	18	16	10	2	[116]
American children are no longer the best-educated young people in the world	70	16	8	4	2	[117]
The American auto industry has lost one-third of the U.S. market in car sales	47	24	18	9	2	[118]
America is losing higher-wage jobs in fields such as electronics, while Japan is gaining jobs in those fields	51	24	16	6	3	[119]
America has lost its lead in advanced technologies such as computer chips	44	22	19	11	4	[120]

(BOTH FORMS)

6a. I'm going to read you a list of some economic problems that might face the country these days. After I read this list, I'd like you to tell me which one you feel is the single most important economic problem. (READ LIST SLOWLY, ROTATING ORDER ON EVERY OTHER INTERVIEW. AFTER RESPONDENT HAS HEARD ENTIRE LIST, ACCEPT ONLY ONE ANSWER AND RECORD BELOW UNDER 6a.)

	6a. Most Important		6b. Second Most Important	
Inflation and the cost of living	17	[30]	17	[31]
Unemployment and job opportunities	24		19	
The loss of key industries and America's technological leadership	19		14	
The federal budget deficit	18		16	
The trade deficit and foreign economic competition	10		14	
Federal taxes	6		11	
All equally important (VOL)	5	SKIP TO Q.7a.	-	
Other/none (VOL)	-		1	
Not sure	1		2	
No most important problem	-		6	

6b. And which of these do you feel is the second most important economic problem today? (READ REMAINING ITEMS. ACCEPT ONLY ONE ANSWER AND RECORD ABOVE UNDER 6b.)

(ASK EVERYONE.)

7a. Now, thinking personally, how would you rate the economic and financial situation for you and your family these days--excellent, good, just fair, not so good, or poor?

Excellent	5	Not so good	13	[32]
Good	31	Poor	8	
Just fair	42	Not sure	1	

7b. In terms of achieving your economic and financial goals, would you say things have gotten easier or harder for you and your family in the past five years, or have things stayed about the same?

Easier	15	Stayed about the same	29	[33]
Harder	54	Not sure	2	

(FORM B)

7c. What do you feel are the biggest economic problems or concerns for you and your family these days?

(PROBE:) What are you most worried or concerned about, in terms of the economic and financial situation for you and your family?

Inflation, cost of living prices	27%	
Unemployment, job security	24	
Health care cost, affordability	21	
Education, schools	21	[34-37]
Taxes	14	
Don't know, no response	1	

(FORM A)

8. Now I'd like you to rate some aspects of the national economy. When it comes to (READ FIRST ITEM), would you say things are excellent, good, just fair, not so good, or poor? (REPEAT FOR EACH REMAINING ITEM.)

	Excel-lent	Good	Just Fair	Not So Good	Poor	Not Sure	
Job opportunities for young people who are starting out	2	11	30	30	24	3	[38]
The standard of living for the average family	1	15	46	25	11	2	[39]
Job security for older workers	1	12	23	27	31	6	[40]
The affordability of necessities such as health care and housing	-	6	24	28	40	2	[41]
American technological leadership in the world	4	29	35	17	11	4	[42]
The quality of education and job training for young people	2	21	33	16	24	4	[43]
The work ethic of American workers	2	21	36	16	19	6	[44]
The quality of American-made products compared to foreign-made products	6	45	26	11	9	3	[45]

(FORM B)

8a. Now I'd like you to rate some aspects of the national economy. When it comes to (READ FIRST ITEM), would you say things have been getting better, getting worse, or have stayed about the same over the past few years? (REPEAT FOR EACH REMAINING ITEM.)

	Getting Better	Getting Worse	Stayed About The Same	Not Sure	
Job opportunities for young people who are starting out	12	62	22	4	[46]
The standard of living for the average family	8	60	30	2	[47]
Job security for older workers	9	65	16	10	[48]
The affordability of necessities such as health care and housing	3	86	10	1	[49]
American technological leadership in the world	20	46	27	7	[50]
The quality of education and job training for young people	21	50	26	3	[51]
The work ethic of American workers	10	51	32	7	[52]
The quality of American-made products compared to foreign-made products	37	32	26	5	[53]

(FORM B)

8b. Do you think the standard of living for the generation of young people today will be higher than, lower than, or about the same as the standard of living for their parents' generation?

Higher	40	About the same	18	[54]
Lower	41	Not sure	1	

(FORM A)

18a. Looking ahead to the year 2000, how much confidence do you have that America can meet its goals in terms of competing economically in the world and dealing with foreign economic competition--a great deal, quite a bit, just some, or not much at all?

A great deal	23	Just some	33	[121]
Quite a bit	29	Not much at all	13	
		Not sure	2	

(FORM A)

18b. What are the most important things this country should be doing to improve its ability to compete economically in the world?

(PROBE:) What steps should we be taking to deal effectively with foreign economic competition?

Improve educational system	34%	
Review import laws, impose tariffs, sanctions, more restrictions, force other contries to go by the same rules we go by	21	
Better quality products, enforce quality control	17	[122-125]
Balance budget	7	
More jobs	6	
Don't know, no response	13	

(FORM B)

18. How important a role do you think (READ FIRST ITEM) should play in dealing with the issue of America's economic competitiveness--the most important role, a very important role, a fairly important role, or not that important a role? (REPEAT FOR EACH REMAINING ITEM.)

	Most Impor-tant	Very Impor-tant	Fairly Impor-tant	Not That Impor-tant	Not Sure	
The federal government	28	47	19	4	2	[126]
American business corporations	36	46	14	2	2	[127]
The average citizen and consumer	27	41	21	7	4	[128]
Small businesses	20	41	28	8	3	[129]
Universities and educational institutions	40	39	15	4	2	[130]

(BOTH FORMS)

19a. Which party do you tend to trust more to deal effectively with the problem of America's economic competitiveness--the Republicans or the Democrats?

The Republicans	39	Both equally (VOL)	9	[131]
The Democrats	27	Neither (VOL)	17	
		Not sure	8	

(FORM B)

19b. What are the most important things our government should be doing to improve its ability to compete economically in the world?

(PROBE.) What steps should the government be taking to deal effectively with foreign economic competition?

Improve educational system	16%	
Less wasteful spending	13	
Trade deficit	10	[132-135]
Increase productivity	7	
Better products, competitive, high quality products	7	
Better working conditions	7	
Don't know, no response	20	

(BOTH FORMS)

20. I'm going to read you two statements about economic competitiveness, and I'd like you to tell me which one comes closer to your point of view. (READ STATEMENTS SLOWLY, ROTATING ORDER ON EVERY OTHER INTERVIEW.)

Statement A. *We should rely on the private sector and free enterprise system to promote America's economic competitiveness and ability to deal with foreign competition, and government should not get directly involved*	29	[136]
Statement B. The federal government should play a direct and active role in working with business to promote America's economic competitiveness and ability to deal with foreign competition	61	
Some of both (VOL)	6	
Not sure	4	

21. * Here are some things that can be done to deal with the problem of America's ability to compete economically in the world. For each one, please tell me whether you feel it would help a lot, would help some, would not really help, or would go too far and be a step in the wrong direction. (READ EACH ITEM AND REPEAT CHOICES.)

	Help A Lot	Help Some	Not Really Help	Go Too Far/Step In The Wrong Direction	Not Sure	
Increase regular school year by one month, so American students spend as much time in school as Japanese students do	32	28	27	10	3	[137]
Have the government devote more tax funding for research and development on cutting-edge technologies that will be key to future economic competition	37	36	12	9	6	[138]
Hold down wages in the U.S. to help make American products more competitive with foreign-made products	20	24	25	26	5	[139]
Have tougher U.S. trade policies to respond in kind to the things that countries like Japan do to restrict our products	56	24	8	4	8	[140]
Reduce government safety and environmental regulations that make it harder for American businesses to compete against countries that don't have these regulations	12	22	19	40	7	[141]
Increase the amount of federal funding for elementary, secondary, and vocational schools	57	24	11	4	4	[142]
Do what is necessary to reduce the federal budget deficit, including further social spending cuts and higher federal taxes	25	24	21	24	6	[143]
Target tax breaks to businesses to encourage greater investment in research and development, even if this means some businesses will pay less in taxes	29	33	16	14	8	[144]
Set a goal to ensure that America is competitive in key technologies, such as computer chips--even if government helps select particular industries for assistance	33	41	10	8	8	[145]
Use the tax laws to provide incentives for individuals to save more and borrow less	55	28	10	3	4	[146]
Provide more training and retraining for workers, to help them keep up with new technology and the skills of the future	79	16	2	1	2	[147]
Restrict foreign ownership of American property and companies	48	25	13	12	2	[148]
Have political leaders speak out more on the need for personal responsibility and a stronger work ethic	55	29	11	3	2	[149]
Restrict foreign imports in certain industries in order to protect American jobs	48	27	9	12	4	[150]
Increase the standards for teachers and students in public schools, including higher standards for graduation	76	16	4	1	3	[151]
Target tax breaks to encourage investment in key industries	46	36	8	4	6	[152]

* Asked of one-half the respondents.

Getting to the end of the survey:

(FORM A)

22. In presidential elections, we often learn about candidates' pledges and priorities on issues. Let us suppose that in 1992 a presidential candidate were to make strengthening America's economic leadership in the world his main issue. Now, keeping in mind the other issues that a presidential candidate might emphasize--like health care or taxes--how much would a candidate who emphasizes strengthening America's economic leadership appeal to you--a great deal, quite a bit, just some, or not much at all?

A great deal	36	Just some	29	[153]
Quite a bit	20	Not much at all	12	
		Not sure	3	

(FORM B)

22. In presidential elections, we often learn about candidates' pledges and priorities on issues. Let us suppose that in 1992 a presidential candidate were to make raising America's standard of living his main issue. Now keeping in mind the other issues that a presidential candidate might emphasize--like health care or taxes--how much would a candidate who emphasizes raising America's standard of living appeal to you--a great deal, quite a bit, just some, or not much at all?

A great deal	28	Just some	30	[154]
Quite a bit	20	Not much at all	20	
		Not sure	2	

(FORM A)

23. Which kind of candidate for president would appeal to you more--(READ EACH CANDIDATE DESCRIPTION, ROTATING ORDER ON EVERY OTHER INTERVIEW)?

Candidate A. One who emphasizes the need to work with businesses and corporations to strengthen America's economic position	61	[155]
Candidate B. One who emphasizes the need to stand up to businesses and corporations that just look out for themselves instead of for the good of the nation	32	
Some of both (VOL)	4	
Not sure	3	

(FORM B)

23. Some people have suggested that the U.S. government should issue an annual economic plan, in consultation with business and labor, with a strategy for promoting America's economic strength. Other people say that this would allow government too much of a role in economic affairs. Do you think it would be a good idea or a bad idea for the U.S. government to issue an annual economic plan for promoting America's economic strength?

Good idea	54	[156]
Bad idea	31	
Some of both (VOL)	5	
Not sure	10	

FACTUALS: These last few questions are for statistical purposes only.

F1. In what age group are you--(READ LIST)?

18-24	8	45-49	9	[157]
25-29	8	50-54	8	
30-34	13	55-59	7	
35-39	13	60-64	6	
40-44	11	65 and over	16	
		Refused	1	

F2a. In terms of your job status, are you employed, unemployed but looking for work, retired, a student, or a homemaker?

Employed	63	CONTINUE	[158]
Unemployed	7		
Retired	18		
Student	3	SKIP TO F3a.	
Homemaker	8		
Not sure/refused	1		

F2b. What type of work do you do? What is the job called? (BE SURE TO CLASSIFY PROPERLY. WRITE JOB DESCRIPTION IN SPACE BELOW.)

High-level professional	6	Farmer/rancher	1	[159]
Middle-level professional	16	Other (DESCRIBE BELOW)	-	
Executive, manager	5	Not sure/refused	1	
Sales, proprietor	6	Not employed	37	
White collar worker	10			
Skilled laborer	17			
Semi- and unskilled laborer	1			

(ASK EVERYONE.)

F3a. Are you married, separated, divorced, widowed, or have you never been married?

Married	65	CONTINUE	[160]
Separated	3		
Divorced	8		
Widowed	7	SKIP TO F4.	
Never been married	17		
Refused	-		

F3b. What type of work does your spouse do? What is the job called? (BE SURE TO CLASSIFY PROPERLY. WRITE JOB DESCRIPTION IN SPACE BELOW.)

High-level professional	4	[161]	Farmer/rancher	1	[162]
Middle-level professional	11		Homemaker	11	
Executive, manager	3		Retiree	8	
Sales, proprietor	5		Student	-	
White collar worker	5		Other (DESCRIBE BELOW)	-	
Skilled laborer	13		Not sure/refused	1	
Semi- and unskilled laborer	1		Not married	35	

(ASK EVERYONE.)

F4. What type of industry is your household's main wage earner involved in? (BE SURE TO CLASSIFY PROPERLY. WRITE INDUSTRY IN SPACE BELOW.)

			Services		
Agriculture/farming	3	[163]	Accounting, advertising	1	[164]
Communications	4		Amusement/recreation/entertainment	1	
Construction	9		Education, child care	8	
Finance, insurance, real estate	6		Health/medical fields	7	
Government, military	7		Hotels/lodging/restaurants	2	
Manufacturing	10		Grocery, food industry	3	
Oil/mining/refining/energy	3		Law	2	
Public utilities	2		Miscellaneous service businesses	7	
			Trade/sales	7	
			Transportation	5	
			Other (SPECIFY:)	1	
			Not sure	12	

F5. Are you, or is anyone in this household, a member of a labor union?

Respondent is union member	11	[165]
Other person in household is union member	9	
Non-union household	77	
Not sure	3	

F6a. Do you, or does anyone living in your household, own an automobile?

Yes	93	CONTINUE	[166]
No	7	SKIP TO F7.	
Not sure	-		

F6b. How many American-made cars does your household have? (RECORD NUMBER BELOW, THEN ASK.) And how many foreign-made cars does your household have?

	American-made Cars	Foreign-made Cars	
None	12	65	
1	36	24	[167-168]
2	36	9	
3 or more	16	3	

(ASK EVERYONE.)

F7. What is the best way to describe the area in which you live--a city, a suburb, a small town, or a rural area?

City	29	Rural area	15	[169]
Suburb	30	Not sure	1	
Small town	25			

F8a. Regardless of how you may be registered, how would you describe your overall point of view in terms of the political parties? Would you say you are mostly Democratic, leaning Democratic, completely independent, leaning Republican, or mostly Republican?

Mostly Democratic	25	Leaning Republican	16	[170]
Leaning Democratic	11	Mostly Republican	21	
Completely independent	24	Not sure	3	

F8b. What would you say are the chances that you will vote in next year's election for president--are you almost certain to vote, will you probably vote, are the chances 50-50, or don't you think you will vote?

Almost certain	82	[171]
Probably will	8	
50-50	7	
Probably won't	1	
Not sure	2	

F9. Thinking about your general approach to issues, do you consider yourself to be liberal, moderate, or conservative?

Liberal	21	[172]
Moderate	36	
Conservative	36	
Not sure	7	

F10. What is the last grade you completed in school? (DO NOT READ CHOICES.)

Eighth grade or less	2	[173]
Some high school	8	
High school graduate	31	
Some college, no degree	18	
2-year college graduate	10	
4-year college graduate	19	
Postgraduate work, Master's degree	10	
Doctoral/law degree	2	
Not sure/refused	*	

F11. For statistical purposes only, could you please tell me whether your total household income for last year was above $35,000 or below $35,000?

(IF "ABOVE $35,000," ASK:) Would you say your household income was above $50,000 or below $50,000?

(IF "BELOW $35,000," ASK:) Would you say your household income was above $20,000 or below $20,000?

Above $50,000	25	[174]
$35,000-$50,000	24	
$20,000-$35,000	25	
Below $20,000	20	
Not sure/refused	6	

F12. What is your race--white, black, Hispanic, Asian, or something else?

White	80	Asian	1	[175]
Black	11	Other	1	
Hispanic	6	Refused	1	

Chapter One

ON THE COMPETITIVENESS EDGE

If federal officials were to name the most effective CEOs of the past decade, John A. Young would undoubtedly top the list. During his tenure at the helm of Hewlett-Packard, Young was not content with merely advancing his company's interests. Beginning in 1983, he prodded Washington to address what he considered the greatest threat to American prosperity since the Depression: declining economic competitiveness.

Ten years later competitiveness has become not just a buzzword but a pivotal political issue. The 1992 presidential election was largely a referendum on America's economic future, and Young was a catalyst in establishing the coalition between Democrats and high-technology industry that helped Bill Clinton win the presidency. If business and government go on to forge a new relationship, Young can share authorship. While bringing about this sea change in the business-government relationship, Young increased Hewlett-Packard's considerable access to and credibility with Washington decision-makers and oversaw a company boom. During Young's 14-year reign, which ended with his retirement in 1992, Hewlett-Packard's sales increased from $1.8 billion to $16.4 billion.

Young first focused on the competitiveness issue after a game of tennis in the spring of 1983. He was attending a meeting of the Business Council, an organization for members of corporate senior management, at Hot Springs, Virginia. Featured speaker Edwin L. Harper, President Reagan's

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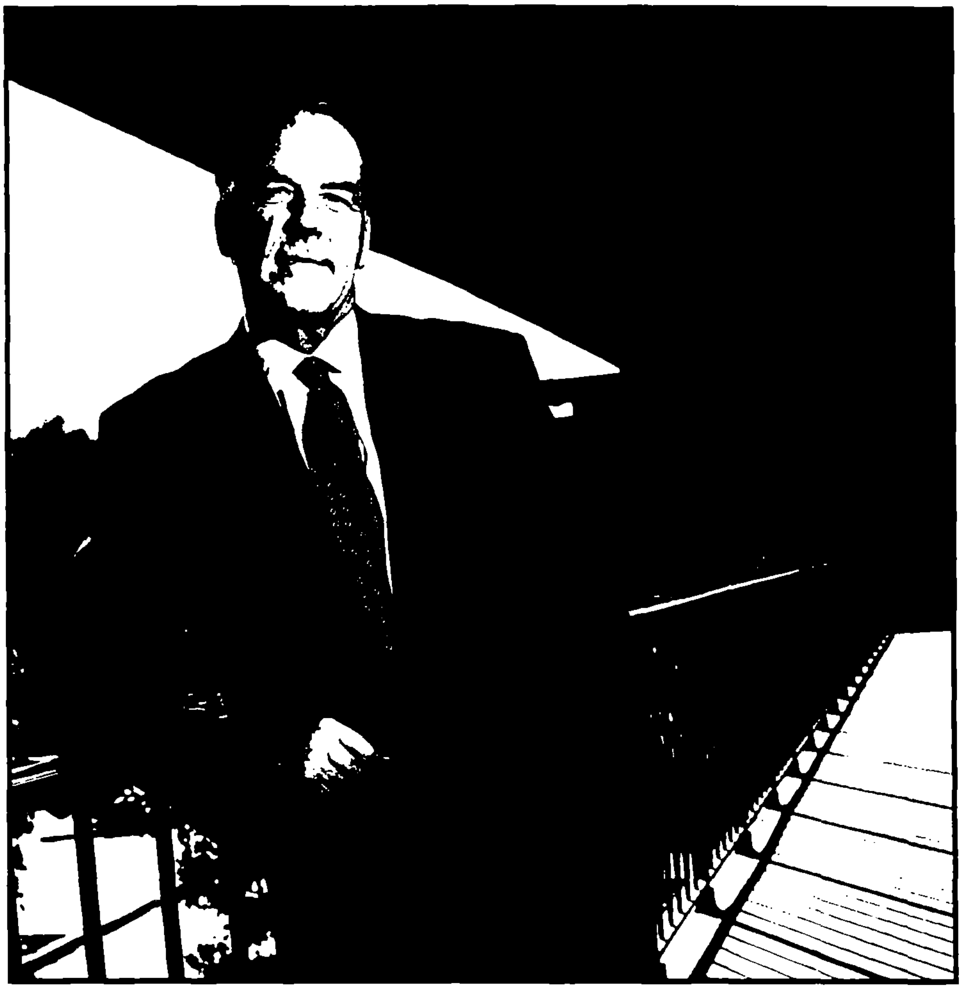

JOHN A. YOUNG
former CEO, Hewlett-Packard

domestic policy adviser, discussed the government's role in research and development. As CEO of the original high-tech Silicon Valley start-up, Young listened closely. Hewlett-Packard was holding its own in the marketplace, but Young was disturbed that the U.S. share of the consumer electronics market had fallen from nearly 100 percent in 1970 to less than 5 percent by the mid-'80s. He ruminated about the environment in which manufacturers compete and wondered why U.S. makers of integrated circuits used by companies such as HP were losing market share as well. "I got interested in this subject simply as a CEO," said Young, "thinking, *Why are we losing to the Japanese?*" It didn't take a wizard to recognize that if the trend was not reversed, Hewlett-Packard might suffer. "I was looking forward to hearing about [the government's policy]," he recalled, "because it surprised me that there was such a thing."

After the speech Young joined Harper for a tennis match. The game was less memorable than their verbal volleying. "I was kind of kidding Harper after his talk. 'Gee, you don't have a strategy [for commercial R&D] after all,'" says Young. "We got to bantering about what [such a strategy] would take, what some of the ideas should be, and what the issues were."

At the time, the Reagan White House had a problem. It was facing the 1984 election and the economy was emerging from the most severe recession in 50 years. Many companies, particularly manufacturers, had suffered serious losses of market share to overseas competitors, and the Democrats intended to make the hemorrhaging of American manufacturing an election issue.

Reagan could attack the Democrats' calls for industrial policy as central planning in disguise, but he still needed something to assuage voters. So he did what most presidents do when presented with a difficult situation. He set up an advisory panel to study the problem.

Edwin Harper, in charge of setting up the President's Commission on Industrial Competitiveness, asked Young to lead the panel, hardly a surprise given Hewlett-Packard's reputation as a company "whose blend of advanced technology and enlightened management defined Silicon Valley," as *Business Week* put it. In 1938 William R. Hewlett and David Packard raised $538 to build audio oscillators in a garage for their first customer, Walt Disney; by the time Harper and Young met in 1983, HP employed 68,000, had become the largest maker of electronic test and measurement instruments, and was on its way to becoming a major computer manufacturer. Young understood and embraced the political nature of the commission, convinced that the early version of industrial policy advocated by the Democrats gave the government too much economic control.

Chairing the commission was Young's Washington debut, extending the Hewlett-Packard tradition of involvement. David Packard had served as deputy secretary of Defense in the Nixon administration from 1969 to 1971 and in 1985 and '86 headed the Packard Commission, which studied defense procurement. Packard encouraged Young to head the Commission on Competitiveness, and in June 1983 the White House announced his appointment.

If the Reagan administration thought it had found a pliable and predictable chairman, it was mistaken. Young had no intention of delivering a precooked conclusion. An electrical engineer by training, he intended to approach the assignment with the same quiet, steady attitude that had taken him to the top of Hewlett-Packard in 25 years. He was known within

HP for preparation, patience, and integrity, and these characteristics soon permeated the commission as well.

Young sought the counsel of David P. Gardner, then president of the University of California system. Gardner had just finished heading the National Commission on Excellence in Education, which produced "A Nation At Risk," the landmark study that galvanized public attention on the decline of American schools. Gardner had a lot to tell Young about commission dynamics: what to expect, what to avoid, how to get the right mix of views and personalities, and how to handle dissenting views.

Young also set out to find an aide who knew Washington. He recruited Tom Uhlman, a Stanford Business School graduate who had served as a midlevel official in the Department of Education. Uhlman's experience paid immediate dividends. After taking soundings in Washington, recalled Uhlman, "I came back pretty strong to Young that we needed to have independence or else we were going to be set up going into an election year." Uhlman also perceived that the proposed membership was not broad enough, with too few representatives from the technology community and none from organized labor. Young talked with Edwin Meese, counselor to the president and later attorney general, who offered to find the labor representatives himself. After two weeks, according to Young, Meese called back and said the White House didn't know any labor leaders.

Young resumed the labor search himself and also persuaded the CEOs of several high-tech companies and the former head of Morgan Stanley & Company, the investment banking firm, to join the commission. He persuaded the administration to give the commission its own staff and budget. Uhlman then recruited independent-minded civil servants from various agencies for all but the top staff position. By the time it sat down to work, the commission had achieved a measure of independence.

With the membership in place, Young reviewed the literature on competitiveness, insisting on a firsthand education. He examined one report published in 1983 by the Business-Higher Education Forum, a group of 40 Fortune 100 CEOs and 40 university presidents. The catalyst for the report had been Japan's increasing economic power. The study coined an umbrella phrase, *economic competitiveness*, for the issues it addressed—from education and worker training to trade and technology policy.

Young found the forum's findings balanced, thoughtful, and comprehensive, and the commission decided to use the report as a base line. Of course, before defining the problem, Young had to forge a consensus among his commission members, each of whom had a different understanding of competitiveness, although they did agree on one point. "Practically everybody, in starting out, said, 'Gee, if only our exports were higher, that's it,'" recalled Young. It took six months to agree that competitiveness referred much more broadly to the ability of American companies and workers to excel in the global marketplace.

By early 1984 Young and his colleagues decided not to meet the pre-November deadline agreed upon with the administration. Commission members feared the White House might stifle any less-than-optimistic findings before an election. Young's request for a delay suited the administration because political pressure had dissipated. The economy was recovering, and the Democratic candidates trailed Reagan in the polls. Commission members turned to a new goal: producing a report that could influence Reagan's second-term agenda.

Young secured the best possible forum for presenting the finished report, a Cabinet meeting in early February 1985. Young conducted the briefing himself, using an overhead projector to illustrate the commission's conclusions. "Global Competition: The New Reality" was not calculated to please. There were profound systemic problems in the American economy, the report claimed. The United States was "losing its ability to compete in the world's markets."

Young gored some sacred cows, most notably military spending. For 40 years the government had put military technology first and expected commercial benefits to trickle down. Young said that military R&D was draining America's stock of scientific and technological talent. And in 1983, although the government supported 884 industrial advisory commissions engaging 17,980 people from business, trade associations, labor, academia, and the government, these sources of advice and expertise met infrequently and had little impact. What the federal government needed, Young told President Reagan and his assembled Cabinet officers, was a competitiveness strategy.

The commission's recommendations were met with apathy and skepticism. After all, "Global Competition" was a politically and ideologically brazen report, especially given Reagan's landslide win in November. Reagan scribbled his reaction in a note to Secretary of State George Shultz. If the United States has such economic problems, Reagan asked, why did all those foreign countries still want to be like America?

Responses from others in the administration were no more reassuring. Donald T. Regan, the newly appointed chief of staff, scarcely bothered to hide his hostility to a report that recommended more federal spending. Regan argued that second-term priorities had been set and there was no money for the programs endorsed by the commission. The Commerce Department, not the White House, released the report, a send-off that summed up the administration's tepid response.

The business community reacted more positively. Yet Young found that CEOs in manufacturing still believed competitiveness was largely a question of U.S. export performance, and lagging exports, in turn, were a function of the overvalued dollar. When Reagan devalued the dollar in 1985, the CEOs felt certain the competitiveness issue was settled.

But Young believed that currency fixes were no panacea for embedded problems such as record trade deficits, flagging American inventiveness, an inability to make commercial use of military technology, and inadequate investment in education and infrastructure. Although forewarned that commission reports "go directly to the Smithsonian without going through any heads or hands," as one former commission head put it, Young wasn't prepared to see his report dismissed. He was convinced that competitiveness affected not only Hewlett-Packard's long-term fortunes, but the nation's future.

A few months after the release of "Global Competition," Alexander B. Trowbridge Jr., president of the National Association of Manufacturers and a Commerce secretary during the Johnson administration, stopped to see Young at Hewlett-Packard headquarters in Palo Alto. The competitiveness problem was getting worse, he told Young, and something had to be done. You are the leader, said Trowbridge. When everybody talks about competitiveness, they talk about you. How about doing more through a new organization? Young polled his fellow commission members, and many agreed to keep the competitiveness issue alive until 1989, when a more receptive administration might take office. Like the commission, this organization would reflect the national interest, not the narrow agenda of high-tech manufacturers.

Young sent Tom Uhlman on another scouting mission to Washington to see about establishing a small organization with a modest budget and part-time director. Uhlman told Young that if he wanted results, the new organization had to have an ample budget and a full-time director and staff. Young borrowed a nonprofit shell that the National Association of Manufacturers had already established with the Internal Revenue Service, and Trowbridge kicked in $75,000. Young began recruiting the heads of corporations, universities, and labor unions to join on a sliding-dues scale: Fortune 500 companies paid the top annual rate of $15,000. Within weeks he had won the allegiance of prominent business, academic, and labor leaders such as Donald E. Petersen, then CEO of Ford, Paul E. Gray, then president of MIT, and Morton Bahr, president of the Communications Workers of America. Young asked the members to make a three-year commitment, emphasizing his intention to "sunset" the council by 1989 if it didn't work. "I told everybody, 'I don't know if this is a good idea,'" Young recalled. "'But I need this window of commitment. After three years, if the council's going nowhere, we probably ought to get rid of it. If it's making progress, maybe it should be continued.'"

The Council on Competitiveness opened for business in August 1986. Its charter dedicated the council to "improving the ability of U.S.

industry and its workers to compete in world markets while raising living standards at home." Young selected Alan H. Magazine to be the council's first president. As director of the Business-Higher Education Forum, Magazine had helped coin the phrase *economic competitiveness*. His first day at the office was eerily quiet, his desk bare except for a telephone, legal pad, and pen. Within a few days, however, an article in *The Washington Post* announced the council's formation, and Magazine was swamped with calls from journalists, Capitol Hill aides, think-tank researchers, and business, academic, and labor leaders eager to join. Even in a town glutted with advocacy groups, the council was evoking excitement. Besides the participation of world-class competitors like Hewlett-Packard, Motorola, and Xerox, Magazine said, "the reason this thing flew was John Young." "Global Competition" had established Young as the top business leader on the competitiveness issue.

In April 1987 the council released "America's Competitive Crisis: Confronting the New Reality," a paper intended to introduce the organization and gauge the public's response. To change the national agenda the council had to make news. "If you can't stay in the news with your ideas," observed Magazine, "you might as well not exist."

The council soon recognized a barometer: the increasing use of *competitiveness* as a buzzword. In the council's first year, whenever Magazine gave a speech he began by explaining that the council was not associated with the Olympics, and no, he was not there to talk about how to win more gold medals. After one year, however, Magazine no longer had to do that. "I'd test the audience and say, 'Tell me what [competitiveness] issues we should be concerned about.' The audience would throw out productivity, quality of products, and they'd keep going and going. They knew because of all the national publicity."

There were other signs that the council's cause was entering the mainstream. President Reagan had studiously avoided speaking the word *competitiveness*; to do so implied that the U.S. economy was not competitive. Nevertheless, he used the *C* word during his 1987 State of the Union address. The council took this utterance as a vindication of its effort, although no one believed the mention was anything more than rhetoric, given the administration's lack of interest.

As the council's message gained visibility, recalled Magazine, "John Young became more comfortable with his role as chairman, more comfortable bringing these people together, and more comfortable speaking out." Unlike many advocacy groups, the council was not driven by the agenda of the staff. If anything, the executive committee, led by Young, spun the staff. Young pored through the information provided by the staff, analyzing it and coming back with questions. He became famous for an "iron" backside during board meetings when members hammered

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out council positions. Young "didn't ram things down people's throats," said Magazine. "He let the force of the arguments, the force of the information, drive the process and the results."

Young's stature and visibility also paid dividends for Hewlett-Packard. As with most multinational corporations, HP's legislative agenda was dominated by tax and trade issues. The company's lobbyists made the most of Young's reputation as a "white hat," using his access to important officials to press their agenda. Young acknowledges that as the lead spokesman for competitiveness, he greatly improved "HP's access and credibility and ability to make points with key legislators."

Young's experience in mobilizing a coalition around competitiveness convinced him of the value of Washington alliances. During the 1980s, Young and his Hewlett-Packard colleagues helped found two coalitions that furthered the agendas of Hewlett-Packard and similar companies. One was the Council on Research and Technology (CORETECH), which grew to represent more than 150 research-intensive companies, universities, and other institutions on tax issues related to investment and research and development. CORETECH successfully fought a Treasury regulation that would have raised taxes on the domestic R&D efforts of HP and other U.S. companies with overseas facilities. Young was also the founder and leading force in the Computer Systems Policy Project, a mini-Business Roundtable made up of CEOs from 13 large computer companies, whose aims included removing barriers to high-tech exports in the aftermath of the Cold War.

During the 1988 presidential campaign, the Council on Competitiveness embarked on its most ambitious effort to date: to make competitiveness an election issue. It scoured every camp to find advisers willing to adopt the council's agenda. It also publicized the major candidates' views on competitiveness. In addition, just after the start of the fall campaign, the council released its second major report in an attempt to influence election-year discourse. "This report should destroy some comforting illusions about America's technological leadership," said Young at the press conference for "Picking Up the Pace."

This latest effort marked a shift in emphasis by Young and the council. Previous reports, going back to the commission's original tome, focused on persuading readers that there was a competitiveness problem. "Picking Up the Pace" did too, but it also revealed detailed proposals that became the council's litany for the next four years. The council called upon the federal government to lower the cost of capital by controlling the deficit while redoubling efforts to open foreign markets to high-tech American exports. The report also called for more federal investment in the nation's universities and laboratories and a larger, more coordinated role for the government in promoting manufacturing and technological advances. This second proposal subsumed many suggestions, from streamlining federal regulations to loosening antitrust laws so that U.S. companies could work together to develop basic technologies.

In a speech a few weeks after the report's release, George Bush alluded to the need for a technology policy and endorsed several of the report's recommendations. "We had no idea that Bush was going to do it, although I don't think for a minute that he opened the covers of our report," recalled Alan Magazine. For days the council was flooded with requests for what now appeared to be a partial blueprint for the incoming Bush administration. Of course, everyone at the council recognized the difference between campaign rhetoric and actual governing. If Bush was a believer in the council's agenda, it would become evident only after he moved into the Oval Office.

Initially the new administration made several encouraging decisions. Bush added the evaluation of technology to the duties of his science and technology adviser, D. Allan Bromley, and elevated the position to Cabinet rank. He also formed a White House Council on Competitiveness to spur business growth. And access to top officials improved. A council delegation met with Vice-President Dan Quayle for 30 minutes in February and later with top commerce and trade officials. Commerce Secretary Robert A. Mosbacher, in particular, became a strong ally in the council's push for a comprehensive federal strategy.

Within a year, however, high hopes became dashed expectations. An elegant White House lunch for the council's executive committee, hosted by Quayle in the Indian Treaty Room, summed up the attitude of the Bush administration. Recalled Magazine, "We brought in a Who's Who of top corporate and academic leaders in America, who were there to talk about major issues and problems of competitiveness and kept regaling Quayle about recommendations we had. Every now and then he would look up from his food, and he'd ask a question, just to get it going. He didn't make one declarative sentence the entire time we were there. It was as though he didn't understand these issues and couldn't care less."

The administration mimicked Quayle's indifference. The Council on Competitiveness turned into an appeals court for businesses burdened by federal regulations, especially environmental edicts. Restrictions such as product liability laws were the source of America's competitiveness problems, or so the White House believed. And Robert Mosbacher proved no match for John H. Sununu, Bush's chief of staff and a foe of industrial policy. After Mosbacher urged federal support for high-definition television systems, reported *Business Week*, Sununu summoned Mosbacher to his office and rebuked him for "sounding like Michael Dukakis." Craig Fields, an outspoken Pentagon official respected by the council, lost his job after advocating federal support for technologies, as did Deputy Commerce Secretary Thomas Murrin. The council's monthly newsletter quoted Allan Bromley, who said, in essence, that money for government intervention by "brute force" was not available, was not likely to be available, and if it were available "it was unlikely that such an approach would work." The assertive leadership Young had yearned for in a president was not forthcoming.

As hope for substantial change faded, Young sought incremental gains. By late 1989 he had developed a better understanding of how Washington worked and resigned himself to some capital realities. Unlike change in the business world, progress in Washington is glacial. Without presidential leadership, creating even small changes in the bureaucracy takes consistent pressure. "We're probably lucky that public policies don't jump around," said Young. "We need the kind of stability you can depend upon." Influencing public policy, he discovered, took patience, determination, timing, and credibility. To accomplish his goals, he had to be prepared for every opportunity.

Young found four top officials to work with: Richard G. Darman, director of the Office of Management and Budget; Michael J. Boskin, head of the Council of Economic Advisers; Roger B. Porter, the chief domestic policy adviser in the White House; and most important, Allan Bromley. Through frequent meetings with these officials, Young established relationships that led to slow but measurable changes in John Sununu's hands-off approach. Bromley initiated an interagency review of government policy on applied technologies—such as robotics and computer-aided design and manufacturing—hoping to draw federal dollars to technology development and not just pure science. Bromley also wanted to discover which generic technologies were critical for economic growth and military strength. Meanwhile Darman, the czar of federal spending, instigated a government-wide survey of research-and-development expenditures, searching for ways to get more commercial mileage out of every federal buck. Young embraced these efforts, although he felt the cooperation came grudgingly. Bromley's progress was slow, and the council felt sure that Sununu bullied him on key issues. As Jeff Bingaman, a Democratic senator from New Mexico, put it, "There is still a raging dispute... in the White House over the government's role" in industry.

The council, convinced its efforts were beginning to produce results, unanimously extended its mandate until 1992. Its budget approached $1 million and 150 chief executives had joined. Its success, coupled with John Young's need to attend to Hewlett-Packard, prompted a change in leadership. "For some time, I have been sensitive to the possibility of the council becoming too closely identified with any single person," Young said. "The focus should always remain on the council." So in December 1990 he turned over the reins to George Fisher, then CEO of Motorola.

Young remained active on the executive committee and was instrumental in shaping and promoting the council's third and most significant report.

"Gaining New Ground," released in March 1991, became the most requested of the council's five major reports, with more than 7,500 copies distributed. The report listed the technologies most likely to yield new manufacturing processes and products over the next decade, distilling more than six years of Young's thinking about technology and the federal government. Federal agencies had compiled lists of key technologies before. What made "Gaining New Ground" unique was that its source was business. Young recalled the novelty of the exercise, particularly in relation to computers, one of the sectors he knows best: "It was the first time ever that the chief technologists of 12 computer companies had gotten together to talk about where we stood as an industry."

"Gaining New Ground" also took inventory of America's standing in world markets and presented the first private-sector consensus on resurrecting U.S. economic leadership. The report called for a marked departure from an industrial policy shaped by the Cold War. "Today's leading-edge technologies in microelectronics, computers, and telecommunications are found not in Defense Department laboratories but in private industry," the report stressed. As Young liked to remind people, "You probably saw the Patriot missile during Desert Storm. It's got a microprocessor that's from the Dark Ages."

Weeks after the council published "Gaining New Ground," the White House released its own technology policy statement. Young was pleased that Bush's list of critical technologies was identical to the council's. But the policy statement had come only after arduous and time-consuming debate, and it was a limited document with no guarantee that anything resembling the council's recommendations would be put into practice. Young's sometime allies in the White House, Darman and Boskin, added a sentence distancing the White House from its own report. Such sensitivity was not surprising given the Bush administration's dislike of federal industrial policies. Yet the setback grated on Young, who believed that the challenge was not in generating a list of technologies but in enacting a long-term policy to foster them.

Although both Democrats and Republicans were to blame for what Young called the "decision-making gridlock in Washington," Young put the onus on the president. Bush was unwilling to use the bully pulpit of the presidency to push for changes in economic policy, and friction inside his administration dissipated whatever energy existed. After Robert Mosbacher succeeded in establishing an advanced technology program inside the Commerce Department, industrial-policy opponents ensured that the program's budget was minuscule, and lower-level officials risked losing their jobs if they pushed industrial policy too hard—as Fields and Murrin had before them.

The situation improved after Sununu resigned in December 1991, but much of Bush's technology program still consisted of whatever congressional Democrats enacted over the administration's resistance. Critical components of Young's agenda, such as a government policy encouraging the application of new technology to industry, were missing. Other goals, such as Bush's vow to be the "education president," never produced results. Young believed that "the real force in driving things ahead never quite seemed to be there."

The 1992 election marked the third presidential campaign since Young began his focus on competitiveness. Although still a Republican, he no longer thought of competitiveness as a partisan issue. Young was eager to help any candidate who might support his agenda.

Among the first to contact Young was Bill Clinton, the governor of Arkansas. When Young met with Clinton in the summer of 1991, he was struck by the governor's command of the issues and the similarity of their views. Clinton's record of support for a limited national industrial policy dated back more than 10 years. He believed technology was the key in a world dominated by an economic rather than a Cold War. Finally, Young was impressed by Clinton's intellectual capacity and commitment to change. Young had never seen a president or vice-president so quick to grasp ideas and technical details. Clinton absorbed everything that Young and his council sent him and appeared open to making the council's agenda part of his campaign agenda.

Still, Young looked carefully before declaring his support for the Democrat. During an August meeting in New York, two dozen CEOs questioned Clinton about his plan to cut the deficit while increasing infrastructure investment. Young voiced doubts about the calculations that went into Clinton's economic plan, "Putting People First." The CEO had reviewed the numbers during his flight from California, and they didn't add up. Clinton instructed Ira C. Magaziner, one of his top economic aides and later his medical policy adviser, to allay Young's concerns.

When Clinton asked for his endorsement, Young answered that he would first have to see the candidate's policy paper on technology. Since Clinton had none, the campaign drafted Young, along with Lawrence Ellison of Oracle Systems and John Sculley of Apple, to help write one. "Technology: The Engine of Economic Growth" was barely distinguishable from the council's "Gaining New Ground." The paper "made a hell of a lot of sense," said Young. The Clinton campaign was making high-tech investment a theme, while the Bush campaign, which had been given a similar chance to adopt council proposals, was far less receptive.

Young's interest in Clinton was duplicated by many CEOs of high-technology companies who believed the economy was experiencing a sea change that called for more vigorous leadership. With the fall 1992 release of "Engine of Growth," Young, Ellison, Sculley, and 28 other CEOs of high-tech companies endorsed the Democratic ticket. "To be successful as a nation," said Young at a press conference in San Jose, "we have to forge a private sector-public sector partnership." Silicon Valley had traditionally been a GOP fortress, fiercely attached to the ideas of entrepreneurship, free markets, and minimal government involvement. The CEO endorsements of Clinton indicated grave weakness in Bush's political base: the price he paid for his scant attention to technology policy.

Young's endorsement came as no surprise to his colleagues, who knew his commitment to the competitiveness issue. But not all of Young's peers approved. "The surprise is that some thoughtful corporate leaders like John Young have decided to bet on a Clinton presidency," said Jerry J. Jasinowski, Alexander Trowbridge's successor as president of the National Association of Manufacturers. The sharpest criticism came from David Packard, who suggested in a letter to the *San Jose Mercury News* that Young's endorsement was linked to political ambition. If Clinton won, Packard explained, Young would have a chance of becoming secretary of the Commerce Department, the traditional voice of business in Washington. Young and "many other good friends in the Silicon Valley industry have been caught in the updraft of Bill Clinton's hot-air balloon," wrote Packard.

For a few weeks after Clinton's victory it seemed that Packard had been right about Young's aims. But Young's commitment to competitiveness was not to be confused with Potomac Fever, and he took himself out of the running. "I have determined that an official role might create the appearance of a conflict of interest because of my financial holdings," Young told the press, adding that he would find other ways to pursue what had become his passionate hobby.

With a sympathetic administration in place, Young began to concentrate on two aims. One is to prevent carefully nurtured ideas from becoming just another form of pork barrel politics, and the other is to warn against wild-eyed plans that might excessively inject the government into the free market. The latter concern, Young believes, will develop only if business people refuse to participate in the political process. "Fortunately, what I detect among my colleagues is a great willingness to get involved," noted Young. He has indicated to Clinton that he would serve on a successor commission to Reagan's Commission on Industrial Competitiveness and help realize goals such as a 21st-century information infrastructure involving fiber optics and high-speed computer networks. And he will not let the Council on Competitiveness dissolve. "I think the council has a role to play as long as that agenda is alive and needs strategic help," said Young. "The Congress and White House are tactical, they are event-driven, and they need people who have time to develop ideas and test them, to be a resource." Young and other council members have talked of establishing an offshoot of the council that could lobby, not just advocate, certain positions.

Regardless of what Young goes on to achieve, the changes he has wrought are formidable. Fifteen members of the Council on Competitiveness, including Young, participated in Clinton's Little Rock economic summit six weeks after the election. When, a month later, Clinton unveiled his economic program before Congress, with its emphasis on deficit reduction, investment in infrastructure, and competitiveness, it read like a page out of the council hymnal. David Barram, the Apple vice-president who helped engineer Silicon Valley's endorsement of Clinton, became the deputy secretary of the Commerce Department, and Kent H. Hughes, president of the council, became an associate deputy secretary. Clinton's $17 billion technology initiative, unveiled in February 1993, signaled an end to the laissez-faire ideology that catapulted Young into action in '83. The Clinton administration "is taking competitiveness more seriously than [did] President Bush," Young observed.

In the view of political analyst Kevin Phillips, if Young's analysis, developed over 10 years, is the correct prescription for what ails the American economy and if President Clinton follows it faithfully, a new consensus favoring industrial policy could redefine business-government relations for a generation.

John Young's story is striking testimony to what a CEO can achieve in Washington—particularly when he approaches the capital with more than an engineer's mentality. A good engineer studies a problem, then develops a solution and expects to persuade everyone else on the merits alone. When Young finished working for the Commission on Industrial Competitiveness in 1985, he could have folded his tent and left town, content that he had developed the right answer; never mind that he couldn't persuade Washington. Instead he learned how to make things happen in the capital, not in the "just do it" manner of a corporate leader, but through the back and forth of politics. He learned to appreciate incremental success, to establish and advance an agenda—and to be comfortable in that role. Most important, he helped rivet government and national attention on a crucial issue, America's ability to compete in the 21st century.

THE CEO GOES TO WASHINGTON

Negotiating the Halls of Power

MAX HOLLAND

the chief executive press