

US needs to shed its taboo on economic planning

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The great debate on [how to fix America's economy](#) and pay back its debt has begun. Most Americans assume that, in the end, all will be well. But they have failed to notice one missing dimension: in a global economic system in which Asia is increasingly central, their country is no longer a price-maker. It has slipped to become a mere price-taker instead.

There was a time when the great American economy could set its own course, and the rest of the world adjusted. Like an aircraft carrier, it felt no pressure to adapt when global currents changed. Today that is no longer true. The US economy can now become globally competitive only if it makes an effort to understand its relative competitiveness in the world.

Here [job creation](#) is the great challenge. But jobs can be created sustainably in the sectors where the US is globally competitive. Where they are not, the jobs will flow overseas. This fact means Americans must learn some hard truths.

The paradox here is that American ideology and US business have led the way in creating globally competitive enterprises. Yet, after persuading the rest of the world to be competitive, the US government failed to educate its people that they too must adjust and adapt. Neither President Barack Obama nor leaders on the right such as Paul Ryan have rammed this message home in their [debate over the US budget](#).

The result is that American multinationals – from Apple to Google, Coca-Cola to Pepsi, Boeing to Microsoft – remain globally competitive, but US workers have been led to believe that a mixture of domestic stimulus and gradual entitlement reform will create long-term sustainable jobs in the industries in which they currently work. They will not.

One symbolic move the US made in the recent financial crisis showed how out of touch its economic planners had become. To resolve global imbalances, America asked China and Germany to reduce their export surpluses. But the success of the Chinese and German economies depends on their ability to adapt to a rapidly changing global marketplace. It would have been suicidal for their manufacturers to cut off supplies to customers just to please the US.

Today's [Chinese economy is thriving](#) not because of a heavy-handed state, but because it can produce mini-Hindu deities for Indian consumers, and carnival mementos for Brazilians – as well as Apple iPad parts and bullet train components. This is [how China overtook the US](#) and became the world's number one manufacturer in 2010.

Yet the idea that the US too may have to adapt to new global economic realities seems almost inconceivable to Americans. But manufacturing is thriving in China, Germany, Sweden and Singapore only because their governments set up specific vocational institutes to prepare workers for new industries. China has rapidly overtaken the US in green technology because of a co-ordinated national response, not because Chinese businesses alone invested in green technology.

In short, what America needs is a change of mindset. US economic planners must take a hard-headed look at the jobs Americans can do better than other workers in China, India, Brazil or Germany. They also must understand why so many US companies are investing overseas because of poor tax and financial incentives. A simple tax amnesty provision – with Washington insisting that any money saved should be invested in worker training – could bring investment by US companies back into America.

But this also means a change in the role of government itself. I use the phrase “economic planner” deliberately. Such a notion remains taboo in an American discourse still held prisoner by the old Ayn Rand and Alan Greenspan economic mindset. Yet, in a ruthlessly competitive global marketplace, only prudent and judicious government intervention can help an economy change course and adapt. China did that when it joined the World Trade Organisation and forced its state-owned economic enterprises to absorb the pain of becoming globally competitive. Now the US too needs a comprehensive economic plan to adjust and adapt, and to take its people along for the ride.

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