

The problem with competitiveness, and Canada

By Ezra Klein

Washington Post Staff Writer

Monday, January 24, 2011; 6:53 PM

Imagine if President Obama took the podium Tuesday night and said: "Technology has made competition easier and fiercer than ever before. Countries around the world are upping their game and giving their workers and companies every advantage possible. But that shouldn't discourage us. Because I know we can out-compete any nation on Earth. Even Canada."

Laughter would swell through the room. Republicans and Democrats - who, in a nod to the new civility, are now bragging like second-graders about their willingness to sit next to one another - would pounce on the president's ill-timed foray into stand-up comedy. Canada's ambassador would angrily dial every White House phone number in his address book, demanding to know why his country had been singled out for such cruel mockery. But the truth is that calling out Canada would be a lot more honest than what the president is likely to say - or has said already.

Aside from the "even Canada," every word in that hypothetical speech came from the radio address the president gave last weekend ahead of the State of the Union. The president, of course, would never append "even China" because it would be stating what he meant too clearly for our diplomats to bear. But Americans know. We saw China's president in town last week, triumphantly soaking in all the pomp and circumstance. We know who's lining up across the field from us.

The only problem is, that's wrong. "Even Canada" - or Germany, or Britain, or France - would make a lot more sense than "even China." It's not that Chinese companies have never taken an American worker's job; they have. But the Chinese, by and large, are competing with companies in India, Indonesia, Thailand and Malaysia, because the things those workers make are not, in most cases, the things we make or even the things we want to make.

"China competes on price," says Robert Shapiro, director of Sonecon, an economic consulting firm. "There isn't any doubt about that. The United States competes on quality and innovation. That's how our companies outdo other companies."

We're generally too intimidated by the procession of statistics out of China: More than a billion people, supercharged economic growth of almost 10 percent last quarter, and trains that go really, really fast. But for Americans, those statistics are either meaningless or encouraging. Americans don't need to worry about China's growth. They need to worry about China's growth slowing down.

The richer China is, the more of our stuff its people can buy. Between 2000 and 2007, for instance, total U.S. exports to China grew by more than 350 percent. A world in which China grows even richer is a world in which they can do more than make goods we used to make. It's a world in which they can buy stuff that we still make, not to mention invent things that make our lives better. And more immediately, if China stops buying, the fragile global recovery simply stops. It's a lot bigger than Greece.

The hard question, in the end, isn't what to do about China. It's what to do about America. Framing the global economy as a competition rather than a shared enterprise preys on our fear of rising powers such as China and India. But, to the White House, it's for a good cause: It gets America's competitive juices flowing, helping galvanize us into making the changes and investments needed to secure our own future.

The true competition that the White House is setting up is not between the economic models of China and the United States, but between the economic policies of Democrats and Republicans. The GOP wants to "cut and grow," in the words of House Majority Leader Eric Cantor. "When we hear 'invest' from anyone in Washington," he said on Sunday's "Meet the Press," "that means more spending."

The Democrats disagree. "The best antidote to a growing deficit, by the way, is a growing economy." Obama told a crowd in North Carolina last month. "To borrow an analogy, cutting the deficit by cutting investments in areas like education, areas like innovation - that's like trying to reduce the weight of an overloaded aircraft by removing its engine."

In that same speech, Obama said, "This is truly going to be our Sputnik moment." When we look back on Sputnik, what's important isn't that we beat Russia to the moon. It's that we went to the moon. We had a national purpose that sent thousands, or maybe even millions, of young Americans into science and engineering, that led to countless innovations that proved useful for more prosaic - and commercially viable - tasks than space travel. We didn't make Russia a worse country, but we did make America a better one.

In the end, the measure of our nation isn't in how many competitors see their economies left in the dust, but how many Americans see their incomes raised, their quality of life improved, their children's future secured. We're in a race not with China, but with how good we have it now, and how good we can have it tomorrow.

And, of course, with Canada.