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5 Myths About Our Sputtering Economy

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By James P. Moore Jr.
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For months now, the nation's economic obituary has been splashed across the front pages of nearly every newspaper in the country. Journalists and pundits alike have warned that America's long-running global dominance has come to a screeching halt, eclipsed by growing markets in such places as China and India and frittered away by our own mismanagement, excesses and myopic approach to the future. We're long past due for a reality check. The United States and the incoming [Obama](#) administration face formidable challenges, but the country is by no means on its last legs. Here are a few key myths that need to be dispelled.

1. *The United States has lost its competitive edge.*

Not by a long shot. By almost any measure, the United States continues to outperform other countries around the globe (including rising giants China and India) in such areas as innovation, technology, higher education, worker training, the ability of the labor force to move from job to job, and more. Just this fall, the Swiss-based [World Economic Forum](#) released its latest global competitiveness report, and once again, the United States easily topped the list. The study noted that despite the current financial turmoil, the United States is blessed with strong productivity and can "ride out business-cycle shifts and economic shocks" better than other countries.

2. *The United States long ago gave up its global lead in manufacturing to China.*

Not yet. Yes, U.S. production plummeted this fall, and yes, the domestic auto industry -- the poster child for America's aging manufacturing infrastructure -- will never return to the output it could manage a decade ago. But even with all this grim news, the United States has held onto its manufacturing lead -- particularly in such key sectors as pharmaceuticals and aerospace, in which it produces almost 25 percent of the world's output, according to the [World Bank](#). China produces roughly two-thirds that amount, the bank notes, and the global downturn has badly hurt its manufacturing sector over the past several months. Sure, China and India have been closing the gap, but with a little bit of creativity, vision and determination on the part of U.S. industry, the Obama administration and Congress, we can hold our own.

3. *The U.S. economy is about to be eclipsed by China's.*

Not for some time to come. The World Bank estimates that global GDP last year was more than \$56 trillion dollars. The United States contributed almost \$14 trillion (or 25 percent) of that amount. China's total economy amounted to a bit more than \$3 trillion.

Of course, China and other countries such as India and Brazil are growing far faster than the United States, but then again, we were wealthier to begin with. Let's be realistic. The turmoil in the financial markets will reduce U.S. GDP in 2008 and 2009, but China's economy will contract too. No matter

how you calculate growth projections, realistically, it will be decades before China is within striking distance of the United States.

And as for those other budding economies now coming on line, don't expect them to outstrip us any time soon, either. Despite its strong growth rates, Brazil has an economy that's approximately the size of Florida's and Illinois's combined. Russia, which spans 11 time zones and has vast natural resources, had an economy that was on a par with that of Texas last year. Even India, a bright spot on the global stage for almost a decade now, still has a GDP that's less than half of California's. These countries will be formidable indeed at some point, but they still have a long way to go.

4. The United States is no longer the economic engine of world trade.

Not true. For three decades now, we have amassed staggering trade deficits, amounting to several trillion dollars (and growing), but U.S. consumers have still helped add substantially to the growth of most countries around the world.

When it comes to imports, of course, the United States buys far more products from overseas than either China or Germany. But in terms of exports, all three countries are closely bunched together, at just over \$1 trillion each. There is simply no country, now or in the immediate future, that can replace the United States' sheer global buying power.

5. The United States is no longer an attractive market for investment.

Hardly. Investments here are transparent, well protected and have a long track record of healthy returns. So even with [Wall Street](#) reeling, the United States is a compelling place to invest. Of course, today's liquidity crisis originated here, but the value of the U.S. dollar has risen dramatically over the past few weeks, and foreign investors have flocked to U.S. investments and financial instruments as a (relatively) safe haven amid global uncertainties. No wonder the United States attracted more than \$2 trillion worth of foreign direct investment last year, according to the World Bank and the [International Monetary Fund](#). (The United Kingdom, Hong Kong and France -- the next three top finishers -- each registered just over \$1 trillion.)

So where does that leave us? As [Warren Buffett](#) put it recently, the U.S. economy has gone from springing a few leaks to spewing one big gusher. But given our history and unique ability to adapt, we are anything but down and out. The world has changed, and the United States must respond more nimbly to the hard realities of global interdependence. But as "the sage of Omaha" reminded us, this is a fine time to buy into the long-term future of America -- not out of blind patriotism but because it makes good, sound business sense.

jpm23@georgetown.edu

James P. Moore Jr. is a professor at Georgetown University's McDonough School of Business and the director of the school's Global Leadership Initiative.

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