



Maneuvering in the economics will not rebuild the US economy

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To rebuild and maintain the economic competitiveness of the US, and thereby the economic health of the US and all Americans, decision-makers throughout the US must change from economic-based planning back to technology-based planning.

Economic-based planning caused the present economic meltdown within the US and then masked the meltdown from view until it became so epidemic in proportion that it could no longer be overlooked or denied.

In economic-based planning the foundation for all decision-making is the manipulation and measuring of the funds. This situation is analogous to what occurred with Nicolaus Copernicus and the structure of the solar system during the early 1500's. At that time it was considered a well-established fact that the Earth was the center of solar system. With this "fact" as a premise the learned scholars of the day then used various approaches to attempt to write mathematical equations that would describe the motion of the planets. But when the various equations were tested against astronomical observations of the planets, some of the equations came close at certain times, but none of the equations accurately described the motion of the planets all the time. Why? Because, just like the modern economists who are using what they consider as the "indisputable" premise that it is the funds that must be manipulated and measured for a country's or an organization's economic health, the 1500's astronomical scholars were using what they considered as the "indisputable" premise that the Earth was the center of the solar system--very capable people using correct methods but starting with a highly faulty premise.

Under the Reagan the administration within the US intelligence community, a classified program, the Socrates Project, was initiated to address America's declining competitiveness. Socrates had a two-fold mission. The first was to determine the true source of America's declining competitiveness, and the second was to develop the means necessary to fully address the source of the problem. The objective was not to just slow or temporarily suspend the US economic decline, but to guarantee that the US remains a super-power for many generations.

The Socrates Project team knew that to satisfy the second part of their mission, their determination of the source of the problem had to go beyond superficial one-liners like "Japan, Inc." and "an unlevel playing field." The Socrates team utilized the intelligence available through all the sources of the intelligence community to assemble, for the first time in the history of mankind, a complete bird's-eye, holistic view and understanding of competition worldwide.

This bird's-eye view of competition went far beyond, in terms of scope and completeness, the extremely narrow slices of data that were available to the professors, professional economists, and consultants that addressed the issue of competitiveness. As a result, the conclusions that the Socrates team derived about competitiveness in general and about the US in particular were in almost all cases in direct opposition to that which professors, economists and consultants had been saying for years and accepted as irrefutable underlying truths by decision-makers throughout the US.

What the Socrates team determined was that the source of the problem was that at the end of WWII decision-makers throughout the US began shifting away from technology-based planning and began adopting economic-based planning until within a few years economic-based planning became the standard, unchallenged foundation for decision-making throughout US industry, government and academia. At the same time the rest of the world continued using and refining their technology-based planning.

Technology-based planning is what was used to build America into a super-power. The focus on creating the very best product or service—in other words using technology to be best at satisfying customer needs—was a focus that kept US organizations competitive. It is this focus—technology-based planning—that China and India are presently using to build themselves into the next great super-powers. The gradual shift after World War II by US organizations to economic-based planning—a focus on economic maneuvering to maximize the bottom-line—is what caused the deterioration in America's ability to compete over the last thirty-plus years. Yes, the deterioration has been going on for that long, but because we have been looking solely at the economic side of the equation, we have not seen the deterioration of our ability to compete.

In economic-based planning the foundation of every decision is a matter of how to most effectively acquire and utilize funds to either generate the maximum profit as in the case of a company, or in the case of a government agency or non-profit organization to accomplish an objective. It is this optimization of the acquisition and utilization of funds that is the starting point for decision making, and how well this optimization is performed is the measure of the organization's success--for example, in the case of a company, it could be the return on investment. Economic-based planning is what is taught at all US business schools and what has been used within almost all US private and public organizations since the end of World War II.

In other words, in economic-based planning it is the funds that are being manipulated. For a country this can mean the raising and lowering of tax rates for various portions of the population for particular lengths of time; increasing or decreasing interest rates that dictate the varying availability of funds; temporary or permanent tax incentives for functions like house ownership or research and development; the portfolio management of federal funds for R&D; or the allocation of funds to act as seed capital for start-up companies. But in all cases the limited resource that is being manipulated (acquired, held, distributed, restricted, etc.) to attempt to achieve an objective is the funds. And the measure of the effectiveness of the manipulation of the funds is also basically fund-based--a country's trade balance, GDP, standard of living, budget deficit/surplus, unemployment rates, etc. As a result, the person that is viewed as the one most capable of making decisions or advising on decisions for a nation's economic health is the economist. The job of the economist is to determine how to correctly manipulate the funds on the front end (e.g., decrease interest rates) to generate a particular measure of success on the back end (e.g., decrease the level of unemployment).

The reality is that there is rarely agreement amongst the various economists as to what manipulation of the funds on the front end is required to generate a particular measure of success on the back end. And when a consensus is reached amongst a limited number of economists on a particular course of action, the chosen course of action produces results that, more often than not, only roughly match what the economists predicted. This reality is becoming increasingly more obvious to both laymen and the experts.

The situation, as stated earlier, is analogous to what occurred with Nicolaus Copernicus and the structure of the solar system during the early 1500's. The economists, like the learned men of Copernicus' time, are using what they consider as an "indisputable" premise for all their work--that it is the funds that must be manipulated and measured for a country's economic health.

This is not to say that economists and their manipulation and measuring of funds do not have value. They have significant value but not as the foundation for decision-making.

From the Socrates all-intelligence source, bird's eye view of worldwide competition, the true nature of generating, maintaining and measuring economic health was obvious.

The economic health of a country, state, region or private or public organization is dictated by its competitive advantage in the world marketplace--the ability to sell goods and services. The foundation of all competitive advantage is a matter of satisfying the customer needs better than the competition. Satisfying customer needs is accomplished with technology--keeping in mind that technology is any application of science to accomplish a function, whether the science is cutting-edge or well established and the function is a head-line grabbing new product or service, or something significantly more mundane--it is all technology.

To satisfy customer needs better than the competition, an organization or a region must exploit technology more effectively than the competition does. The exploitation is both the acquisition and utilization of the technology where the acquisition of the technology could include research and development.

Successful acquisition and utilization of technology to establish competitive advantage results in the achievement of economic objectives and sustains the country's, state's or organization's ability to effectively compete.

In short, the proper foundation for decision making is how to out-manuever the competition in the acquisition and utilization of worldwide technology in order to excel at satisfying one or more customer needs to generate a competitive advantage--technology-based planning. Then after the technology maneuvering has been addressed, the country, state or organization can factor in the optimization of the economics of the situation. But the foundation of the decision-making is the maneuvering in the technology.

In technology-based planning it is the technology that is being manipulated. The manipulation of the technology includes both its acquisition and its utilization. The manipulation in the acquisition of the technology consists of the full set of means for acquiring the required technology (e.g., R&D, alliances) or hindering the competition from acquiring the technology it requires (e.g., counter-alliances). The manipulation in the utilization of the technology consists of the full set of means for using the technology offensively or defensively relative to the competition to excel at satisfying customer needs for a competitive advantage. (Or as described for the manipulation of the funds, the manipulation of the technology entails acquiring, holding, distributing, restricting, etc).

A technology based strategy consists of a coherent set of various technology acquisition and utilization means that act in either an offensive or defensive manner relative to the competition. The technology strategy is very fluid in nature--akin to a chess grand master's strategy for adroitly moving all the various pieces on a chessboard--so that it is able to consistently out-manuever the

competition in the exploitation of the technology in order to generate and maintain the maximum competitive advantage.

Because technology exploitation is the basis for generating a competitive advantage, technology-based planning is the correct and therefore the most effective foundation for the full range of decision-making for a country. This includes decision-making for trade, R&D, energy, financial and education policies. In addition, when the policies are developed using the correct foundation (technology-based planning), the full set of policies are highly coherent and therefore much more effective in increasing and maintaining the economic health of the US (a task which can not be accomplished when the policies are based upon the incorrect foundation--economic-based planning).

As an example of the difference between economic-based planning and technology-based planning, take the case of US trade policy. One of the economic-based planning "quick-fixes" for the trade imbalance with China that has garnered support is Warren Buffett's "balanced trade certificate" approach. In short, Mr. Buffett's balanced trade approach consists of a "tit-for-tat" arrangement where a country like China wanting to export "X dollars" of Chinese products to the US would be required to sign a certificate that guarantees that the US would be allowed to export the same dollar amount of US-produced goods to China. And as is the case with economic-based planning solutions, the maneuvering is in the funds and the measuring of the success of the maneuvering is "fund-based." This tit-for-tat in monetary terms equals "trade balance."

From an economic-based planning foundation perspective both the solution, balanced trade certificates, and measure of the success, tracking the decreasing trade imbalance between the US and China, appear very logical, straightforward and will appear effective from a "funding based" perspective. But from a technology-based planning foundation, which is what China will use to address the "Buffett plan", the situation is radically different. The result will be that rather than making the US healthier economically, the "Buffett plan" will accelerate the decline of America's economic health. Here is how:

China will use the fact that US decision-makers' will rely upon the decreasing trade imbalance between the US and China as a fund-based measure of the economic health while China maneuvers the US into not having the technologies required to compete in industries that produce (a) a majority of products required by the modern US society, and (b) products that are competitive in the world market. Put in simple terms, in order to balance the trade, China buys rapidly increasing amounts of US agricultural, raw material, and low-tech manual intense manufactured products. The US decision-makers are happy, the Buffett plan is "working."

China could then quietly dump some or all of these products into the ocean. These products have served their purpose. In turn China can acquire balanced trade certificates that enable China to export to the US the products that are pivotal to the full range of present and future industries that are critical to a modern society's survival (e.g., IT, nano). But, because China is abiding by the rules of the Buffett plan, and the US decision-makers will see the trade imbalance is rapidly decreasing, China will be free to hinder the US companies from exporting similar pivotal products to China.

Simultaneously, US decision-makers anxious to decrease the trade imbalance with China as quickly as possible (and only measuring the success of the Buffet plan from a funds-based

perspective) will support the expansion of the US means of production of agricultural products, raw materials and manual-intensive manufactured products. At the same time, the US manufacturers of the products pivotal to the critical industries who are unable to sell into China (and probably into the Chinese allies) will be unable to survive. Without these companies, the US will lose those industries and all present and future technologies they generate and support.

While US decision-makers were aggressively maneuvering in economics to increase the economic health of the US and measuring the success of this maneuvering via the trade balance gap, Chinese decision-makers would be maneuvering in the technology to systematically remove technologies from the US that would enable the US to have a competitive advantage in the goods and products that China will be dominating to become the world's sole superpower.

In a few years, the US will resemble the emerging countries that China is grooming to become agricultural, raw material and low-tech manual manufacturing resources for China's expansion into a super-power. On the manufacturing side, the US will resemble the Japan of the 1950's. At that point, China will be providing to the US such a large percentage of the goods that are critical to the US modern society that China will have the leverage required to do whatever they want in trade with the US, including returning to a massive trade imbalance.

The present situation of the economic health of the US is analogous to the medical health of a patient. The US decision makers have for a long time treated the symptoms of America's declining economic health--the economics--and not the disease itself--the exploitation of the technology. There is a connection between the symptoms and the disease, so treating the symptoms in some cases has retarded America's declining economic health, but the overall efficiency of the treatment has been extremely low.

While the extremely low efficiency of simply treating the symptoms of US declining health is detrimental to the US, what makes the situation catastrophic for the US is the fact that Chinese decision-makers (and others to a lesser degree) are treating the economic health of China and the economic health of the US directly (and not just the symptoms in either case). The Chinese are both making decisions that enable China to be highly effective in the exploitation of technology and making decisions that hinder the US from being effective in its exploitation of technology.

In addition, because US decision-makers are only trained in addressing the symptoms, they are incapable of recognizing, let alone understanding, the actions that the Chinese execute to strengthen the economic health of China or to decrease the economic health of the US.

But seeing that technology-based planning is fundamentally and radically different from economic-based planning is not always that easy.

The White House has developed plans and certain members of the US Congress have introduced or proposed legislation for rebuilding all or part of America's economic competitiveness, and they maintain that their plans contain the necessary actions relative to science and technology. But in all cases, except the legislation introduced recently by Congressman Wolf, these plans and legislation are economic-based.

Each plan addresses science and technology for economic competitiveness as if it is nothing more than a research and development (R&D) and education foot-race among countries; each

country attempting to “out-R&D” and "out-educate" all the other countries in order to get to the finish line first (i.e., get the next set of science and technology breakthroughs first). And, from their perspective, winning the foot-race requires nothing more than America increasing its R&D and education spending via initiatives like tax breaks to companies for investments in R&D and direct injection of federal dollars.... in other words, manipulation of the economics, not the manipulation of the technology, which is the foundation of the country's and the competitors' competitive advantage.

More directly, many US companies maintain that they do execute "technology planning," but in actuality what they are executing is economic-based planning for technology. Their planning consists of how to most effectively use available monies to fund the various programs in their R&D portfolio. What they are actually manipulating are the funds, not the technology.

Similarly there is the recently emerging discipline of "R&D-centered economics" which in the minds of some in Washington, equates to technology-based planning. While R&D-centered economics recognizes the importance of R&D and its ability to generate technology, it falls way short of technology-based planning. R&D-centered economics only addresses research and development which is only one of several mechanisms for acquiring technology; it does not address the utilization of technology (the second half of technology exploitation), and its basis for decision-making is still the manipulation of funds--how to maneuver in the economics to most effectively fund R&D. The measure of success is purely in financial terms rather than how to out-maneuver the competition both offensively and defensively in the acquisition and utilization of technology (where R&D is just one particular mechanism) to generate a competitive advantage.

R&D-centered economics, companies' technology planning and legislation with its R&D and education "foot-races" are all still economic-based planning with all its inherent weaknesses.

In the Socrates Project we not only determined that the US economic-based planning was the source of America's economic decline and that technology-based planning was the means that China is using to transform itself into a super-power, but we also developed the means for the US to execute technology-based planning with a level of effectiveness that far surpasses that which the Chinese and any other country are capable of executing today or anytime in the foreseeable future.

The first step to rebuilding America's economic health, is shifting the country back to technology-based planning. This shift requires a significant change at a very fundamental level of how we think, but it is a change we must make and must make beginning today.