

The Sources of Societal Competitiveness

How Nations Actually Succeed in Long-Term Rivalries

Leaders and national security officials in the United States have long argued that a dynamic domestic environment is the foundation for American global power. U.S. rivals emphasize the same theme: Chinese officials endlessly repeat a narrative about the decline of the United States (and the West more generally) and the coming transition of global leadership to a Sino-centric East. Yet few analyses have tried to determine just what it means to have a vibrant and competitive society. What characteristics of a nation or society contribute to competitive advantage?

In a 15-month study for the Office of Net Assessment in the U.S. Department of Defense, a team from the RAND Corporation sought to answer that question. A team of researchers reviewed a large body of comparative literature on the fates of nations and societies, conducted country case studies, and reviewed empirical literature on specific issues to identify the characteristics of societies that are consistently associated with national dynamism and competitive position. This brief summarizes the results of the study.

Attacking a Complex Problem

The study did not try to offer final, definitive answers to this question. The issues are too complex, the historical record too overwhelming, the causal relationships too nuanced for that. Partly as a result,

the team viewed this study as an effort to begin a debate, not end one—to raise the issue of the sources of national competitive advantage with an initial, deeply researched effort and invite further analysis and debate in the process.

To generate such an initial assessment, the team reviewed comparative historical studies on the rise and fall of nations, studies on the sources of national growth and innovation, in-depth assessments of specific countries and empires across history, and hundreds of empirical studies on specific issues raised by the other research. The analysis identified seven societal characteristics associated with national dynamism and competitive standing. The team assembled evidence from multiple sources to establish a demonstrated causal association between these characteristics and competitive outcomes. This concept refers to causal ties that are not invariant or easily quantifiable but emerge as consistent patterns supported by a range of evidence. The main sources of evidence for these causal ties are summarized briefly in the sections below.

Characteristic 1: National Ambition and Will

Nations that reach the pinnacle of world politics and technological achievement almost universally rely on an abundant supply of national ambition and will—an urge for intellectual achievement and

superiority and a sense of national destiny and greatness that fuel their competitive drive. This societal sense of ambition and drive ultimately translates down to the individual level and to norms and habits often associated with what is loosely described as a society's work ethic. This drive to express a society's ambitions and creative potential is not limited to scientific and technological applications: It also finds expression in a desire to demonstrate a society's cultural superiority to the world.

The team could identify no nation or empire that rose to global predominance and sustained a long period of dynamism and competitive advantage without some form of this characteristic. More-recent empirical studies find a connection between specific values and habits associated with this factor (such as a generalized work ethic and future orientation) and economic success.

Characteristic 2: Unified National Identity

Nations with a stronger sense of identity and societal coherence have a competitive advantage over nations with a more fragmented sense of identity or that lack allegiance to any sort of unified nationhood. This quality is often expressed in a robust and strongly felt citizenship. The precise degree of required unity varied from case to case. Nonetheless, the research strongly suggests that countries have clearly benefited from high levels of unified identity—and suffered from its absence.

Many historical cases validate the competitive advantage of a strong degree of unified national identity (the United Kingdom, Meiji Japan, and the United States) or risks of fractured identity (the Ottoman and Austro-Hungarian Empires and Soviet Union). Recent studies indicate a tie between political fragmentation and instability and declining national fortunes (such as economic growth).

Characteristic 3: Shared Opportunity

Shared opportunity represents the degree to which all the people of a nation can work, advance in career and achievements, express and develop ideas, create, network, and in other ways contribute their full human potential to the life, prosperity, and power of the nation. This characteristic would require that people's opportunities to express their ability—in their careers, in their ideas and creativity, in their general ambitions—not be limited by their membership in any group, including family or tribe or party, or by gender, class, race, or ethnicity. The most-successful societies extend the principle beyond their national boundaries, recruiting talented people from abroad.

The theme of competitive value of expanded opportunity is common throughout comparative histories. More-recent studies offer abundant evidence for the competitive value of widespread opportunity (measured in terms of such factors as social mobility and access to capital) in generating improved economic growth and innovation; see Figure 1.

FIGURE 1
Sample of Empirical Evidence: The Competitive Advantage of Shared Opportunity



Characteristic 4: An Active State

If national ambition and will, a unified national identity, and shared opportunity create many of the essential preconditions for an engine of national dynamism, the governance expression of that coherence and will—an active, energetic, and competent state—in many ways constitutes the engine itself, or at least its driving mechanism. In every sustainably competitive society examined, the state played an important role in shaping the socioeconomic, military, and geopolitical contexts for success.

The concept of an active state is not equivalent to state-controlled economies or societies, which are universally counterproductive for either economic growth and innovation or societal health. The default recipe of a highly competitive society depends centrally on various forms of grassroots, uncontrolled, creative, and often disruptive energy too organic and chaotic to be managed by any state apparatus. The study highlighted the need for an active state that is energetic, forward-looking, and powerful enough to create the conditions for success but not so overbearing or constrained by orthodoxy that it strangles national energy.

Several cases present measurable evidence for the value of active states; 19th-century Britain and Meiji and postwar Japan represent powerful examples of the characteristic. Recent studies demonstrate the economic benefit of elements of postwar developmental states and document the economic value of the technologies produced by U.S. government research and development (R&D) support since 1945.

Characteristic 5: Effective Institutions

The central importance of effective public and private institutions emerged as a consistent theme across all the literatures surveyed for this research. This is true for many reasons: Effective institutions reduce transaction costs and generally smooth commercial and social interactions, fill gaps left by the state, help solve social challenges, and provide fuel for competitive advantage in areas such as scientific research. Effective institutions are the essential fabric through which the other characteristics do their work—providing many structural protections for shared opportunity, for example, and allowing the active state to operate efficiently.

Comparative historical analyses and case studies demonstrate consistent and strong causal links between effective institutions and outcomes associated with competitive advantage and dynamism. A large body of empirical research demonstrates measurable effects of better institutions on economic growth, innovation, and social stability.

Characteristic 6: A Learning and Adapting Society

Highly dynamic and competitive nations are typically thirsty for new ideas and are eager for fresh policies and approaches. They cultivate networks of scientific and intellectual discussion and debate. They both allow and support the widespread public sharing of new knowledge. They apply learning in practical ways and continually reassess their ways of doing business. Some elements of these qualities can be identified in measurable ways, such as education levels and spending in a society, freedom-of-speech rankings, and some criteria for adaptation and innovation in policy.

In historical terms, an active intellectual environment and openness to innovation and new ways of doing business are characteristic of all the most competitive societies. Recent studies show causal links between various aspects of this factor (education, research funding, and networks of idea exchange) and specific outcomes, such as rates of growth and innovation.

Characteristic 7: Competitive Diversity and Pluralism

This characteristic includes two closely related but somewhat distinct elements that produce competitive advantage. One is diversity, defined as the level of overall variation in a society—not only in terms of gender, race, ethnicity, sexual orientation, and so on but also in every other way that diversity can be defined. This can include citizens with a wide range of education, training, career paths, and skill sets; people from geographically distinct parts of the nation with different cultural traditions and even languages; and people with divergent experiences (military service versus creative arts, for example). The second element of this characteristic is pluralism, which encompasses two aspects of a society: the degree to which it has overlapping sources of authority, rulemaking, and governance and the degree to which its people value, and tolerate, multiplicity.

Diversity and especially pluralism produce competitive advantage in two primary ways: by expanding the range of views and talents available to a society and by fueling domestic rivalries. There is extensive historical support for the value of a pluralistic competition of governing structures and the resulting effect on dynamism. Recent research also offers robust support for the competitive value of diversity.

Overarching Findings: Balance, Synergy, the Renaissance Spirit, a Public-Spirited Elite, and Other Sources of Competitive Advantage

Beyond identifying those seven characteristics, this study produced five broader findings. The first is the crucial role of a prudent balance in seeking sources of national advantage. All seven societal characteristics can take on an excessive form that undermines rather than enhances competitive position. The characteristics that pose the greatest risk when they get out of balance are highlighted.

Second, the most profound competitive advantage emerges not from any individual characteristic or small set of them acting alone. It comes from the

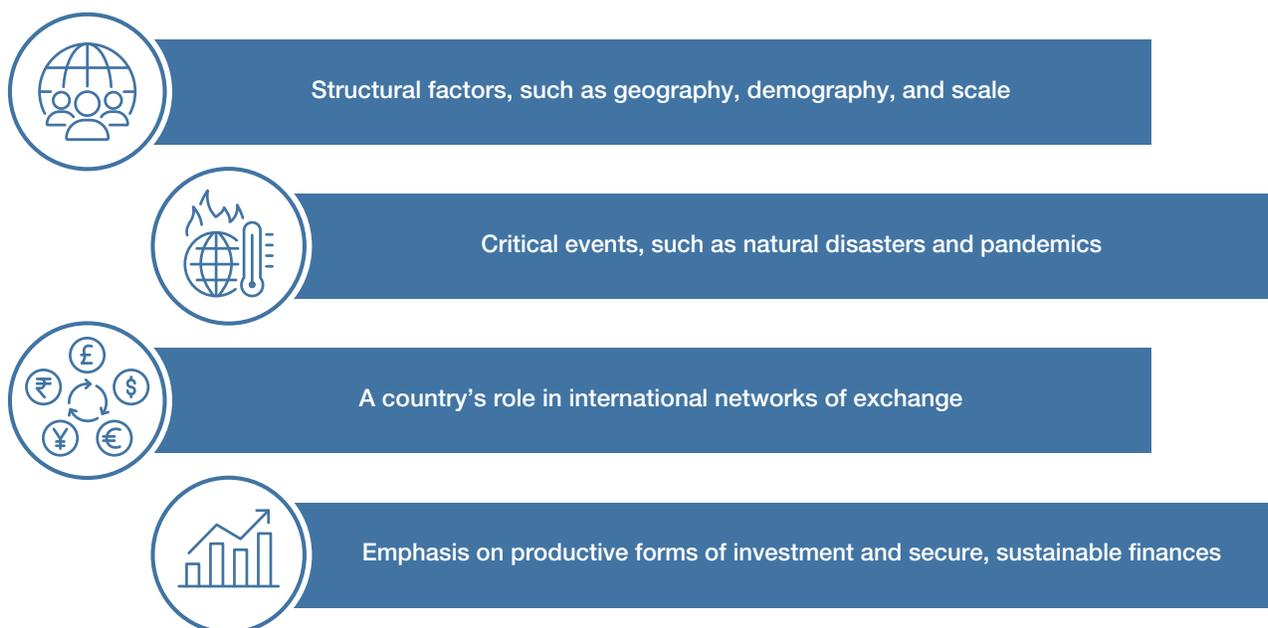
synergy of most or all the seven characteristics operating in mutually reinforcing ways to create positive-feedback cycles of dynamism.

But not just any synergy will do: The study's third broad finding is that the most-competitive modern societies reflect some version of a common recipe for success, a shared form of this synergy that is built around a few key qualities—an embrace of diversity and the benefits of pluralistic governance structures, opportunity fueled in part by a strong commercial ethic, and a learning and experimenting mindset, grounded in powerful national identity and ambition and supported by effective institutions and an active state. The study termed this the *Renaissance spirit*.

Fourth, nations gain tremendous competitive advantage through a combination of a strong, effective, coherent, and—most important—public-spirited (rather than a rent-seeking or self-interested) elite class. When a nation's elite or a significant or dominant component of it becomes corrupt, self-interested, or rent seeking—or favors tribal, family, or other discrete groups—the competitive choices of the nation and its societal vibrancy and resilience will erode.

Fifth and finally, the study identified several factors beyond the seven societal characteristics that are associated with national competitive advantage. Figure 2 lists these. Some are beyond the control of any

FIGURE 2
Examples of Factors Other Than Societal Characteristics That Influence Competitive Standing



government, but successful nations typically attend to the ones that are subject to policy intervention and seek to prepare for and mitigate risks in other areas.

Where Does the United States Stand?

The study gathered data to assess where the United States stands with these seven characteristics. The findings are partial and preliminary. Nor was this a comparative assessment, ranking the United States relative to its main competitors. Some of these findings are summarized in Table 1, which highlights the characteristics for which the evidence suggests the greatest risk.

These preliminary findings suggest reasons for confidence—but also great concern. The United States retains many structural and societal legacies of the qualities that made it perhaps the greatest engine of competitive advantage in the modern world: a relatively high degree of social mobility, political pluralism, and an important degree of domestic social ambition, to take three examples. But for all seven characteristics, there are signs of stagnation and a loss of energy. For several—notably, national ambition, national unity, shared opportunity, and the learning and intellectual climate of the nation—there are reasons for very significant concern. The portrait of the United States that emerges from this analysis hints at a wider sense of national sluggishness and rigidity with worrying parallels to other great powers on the far side of their dynamic peak.

TABLE 1
The U.S. Standing in Characteristics
Essential for Competitive Advantage

Characteristic	U.S. Standing Today
National ambition and will	Polling suggests weakening faith in the national project; domestic measures of competitive ambition are mixed at best
Unified national identity	Fragmentation and polarization are growing
Shared opportunity	There are persistent degrees of opportunity and social mobility, but they have been slowing notably since the high point of the mid-20th century; inequality is also rising
An active state	There are significant and in some cases rising investments in specific areas (such as R&D), but there is also a general inability to overcome bureaucratic logjams or political polarization on many issues
Effective institutions	World rankings show continued effectiveness, but legitimacy is declining, and bureaucratic barriers to innovation are common
A learning and adapting society	Levels are high in global terms but stagnating in many measures; corruption of the information environment is a major risk
Competitive diversity and pluralism	There are resilient levels of both, but the ability to use pluralistic governing institutions to benefit from experiments is incomplete

NOTE: Shading indicates the characteristics that pose the biggest risk to U.S. standing.

This brief describes work done in RAND National Security Research Division and documented in *The Societal Foundations of National Competitiveness*, by Michael J. Mazarr, RR-A499-1, 2022 (available at www.rand.org/t/RR-A499-1). To view this brief online, visit www.rand.org/t/RBA499-1. The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors. RAND® is a registered trademark.

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