Competitiveness of Economies as Defined by Billionaires and Multinationals

Germany has slipped from 3rd to 7th place of the most competitive countries in the world. This emerged from the Global Competitiveness Index of the World Economic Forum (WEF) 2019. In theory, according to the forum, a good ranking means high long-term growth potential. In reality, it measures something quite different - something that is closely related to the interests of this powerful lobby of the largest multinationals.

The WEF explains what it means when a nation scores high on this index:

> The Competitiveness Index measures the factors that drive long-term growth and prosperity. It provides impartial information that enables public and private sector leaders to better understand the key drivers of growth.

The index was not particularly reliable in the past, if measured on the basis of its supposed informative content . The year 2012 was the first year in which the USA fell behind Germany (rank 6) after a few years of slipping. At that time Switzerland was in 1st place, China in 29th place, India in 59th place. The growth differences in the six following years did not correspond to this. The Swiss and German economies grew at the same rate of 1.7 percent per year despite their superior WEF-rankings. The US economy, which was behind Germany at the time, came to 2.3 percent per year and the countries China and India, which were far behind in terms of index values, outshone all with growth rates of just under seven percent.

The lack of predictive and diagnostic value may be due to the fact that the analysis is not quite as impartial as the World Economic Forum would like to make us believe. The forum is a foundation that is supported by 1000 large multinational companies. The bulk of the considerable budget is raised by 100 “strategic partners”. According to the WEF's own description, only international industry leaders who have demonstrated long-term good governance and agreement with the aim of "improving the state of the world" (no joke) can become strategic partners. Strategic partners include Volkswagen, Deutsche Bank and American Insurance Group (AIG), which can hardly be used as figureheads for good governance in the service of improving the state of the world.The first two spent lots of their time and profits to fight fraud-charges in courts, the latter brought the financial system to the brink of meltdown with its rogue derivative dealings.

If it's not about greater prosperity for everyone, as the forum claims, what is it about? A closer look at the methodology of the index reveals that it actually measures something completely different. According to the forum, the index-components do not influence growth directly, but indirectly through the returns on investments that are "the basic drivers of growth". The companies' interest in maximizing profits therefore supposedly coincides with the goal of increasing growth. Anything that increases the profits of multinationals is good for competitiveness and drives growth.

A high index value indicates thus means that (multinational) corporations

- - can generate high returns from investments in a country
- - do not have to share much of this income with employees and the tax office,
- - and not have to deal with annoying regulations.

True to this perspective, the amount of wage tax is not valued as a percentage of wages, but as a percentage of company profits. The surprising similarity of the top rankings with the shadow financial index of the organization

Tax Justice Network also fits this interpretation. Switzerland - for many years the leader in the WEF-competitiveness ranking - is solidly n first place as a shadow financial center, and countries like the USA, Singapore, Luxembourg, Germany and the Netherlands not far behind. Shadow financial centers provide the necessary infrastructure that companies can use to circumvent tax laws and transparency rules. The index measures the global importance of different shadow financial centers.

From this perspective it is easier to explain why for many years the World Economic Forum has emphasized that protection against dismissal and other regulations on the labor market are the most important competitiveness problem in Germany, i.e. the greatest obstacle to growth. “Flexibility in wage determination” is a sub-indicator in which Germany only came 139th out of 144 in 2012. A country ranks low in this sub-index, if there is a centralized wage determination process with wages, and a high value if every company can set the wages freely. Termination at will without severance payments leads to the best values. Despite this poor rating in 2012, unemployment in Germany has fallen massively since then and the complaint today is that labor shortages are an important obstacle to growth.

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Note: The article represents an updated new edition of a blog post written a year ago on occasion of the 2018-ranking being published..