



# THE 5 PILLARS OF U.S. COMPETITIVE ADVANTAGE

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## Bottom Line Up Front (BLUF):

The United States has built a formidable and durable competitive advantage through the development of five key pillars: its industrial base, academic institutions, capital markets, military and veteran networks, and dynamic private sector. These pillars have been instrumental in driving innovation, economic growth, and global influence for decades. However, their tendency to operate in isolation, collaborating primarily during times of crisis, has led to missed opportunities for synergy and proactive problem-solving. This siloed approach has sometimes resulted in unintended consequences and systemic risks.

As the world becomes increasingly interconnected and the scale and scope of problems expand, such as the potential "phase shift" moment presented by 2024 being a record year for the number democratic elections being held worldwide, the U.S. must adapt its leadership approach. To effectively address these complex, systemic challenges, the five pillars (as well as government) must embrace a proactive, collaborative leadership model via "global strategic collaboration." This approach emphasizes regular communication, information sharing, and problem-solving among the pillars, as well as a culture of responsibility and accountability.

By breaking down traditional silos and fostering collaboration, the U.S. can leverage its unique competitive advantages to drive positive change on a global scale. Implementing this new leadership model will require visionary leadership and a commitment to long-term, sustainable solution. In doing so, the U.S. can create a more resilient, equitable, and prosperous future while maintaining its position as a global leader.

## The 5 Pillars

In just over two centuries, the United States has emerged as a global superpower, achieving unparalleled success across a whole host of domains. From a fledgling nation born out of revolution, the U.S. has grown to become the world's largest economy and (arguably) influencer. This ascent to superpower-status can in large part be attributed to the environment and ecosystem which the U.S. has fostered over the last 200+ years, resulting in 5 key pillars that make up its uniquely durable competitive advantage:

**1. The U.S. Industrial Base**, a cornerstone of the nation's economic strength and a key pillar of its durable competitive advantage, boasts a diverse and robust manufacturing sector. Historically, this industrial might has been instrumental in the country's rise to global superpower status, particularly during World War II when the U.S. demonstrated an unparalleled ability to mobilize its industrial capacity for wartime production. The manufacturing sector's prowess continues to be underpinned by a strong culture of innovation, skilled workforce, and access to abundant resources.

However, the U.S. Industrial Base faces significant challenges in the current era. As the economy has shifted from manufacturing to services and knowledge-based industries, the manufacturing sector's share of GDP and employment has declined dramatically. In 1950, manufacturing jobs accounted for

33.7 percent of U.S. employment; today, they account for only 8.4 percent. This shift has profound implications for defense production, as the latent manufacturing capacity that once allowed for rapid mobilization during World War II is no longer readily available.

Moreover, the defense industrial base itself has atrophied in recent decades. Prime contractors have consolidated from 51 firms down to just five, while the broader ecosystem of defense subcontractors and suppliers has shrunk by over 17,000 companies in the past five years alone. The workforce engaged in defense-related work has also diminished by two-thirds since 1985. This consolidation and contraction can be attributed in part to reduced defense spending during the 1990s and early 2000s, which drove mergers and acquisitions among defense firms as they sought to survive in a leaner marketplace.

The U.S. Industrial Base also confronts new risks in an increasingly globalized and interconnected economy. Many critical supply chains now extend beyond U.S. borders, with key raw materials, components, and even finished goods sourced from overseas. This dependence on foreign suppliers, particularly those in potentially adversarial nations like China, creates significant vulnerabilities. In the event of a conflict, these global ties could be severed, disrupting the production of vital defense systems at a time when they are needed most.

Despite these challenges, the U.S. Industrial Base remains a formidable asset and a critical component of the nation's competitive advantage. The defense industrial base, in particular, plays a vital role in maintaining the country's technological edge and military superiority. The symbiotic relationship between the defense and commercial sectors drives innovation, as advancements in military technology often find applications in civilian industries, and vice versa.

**2. U.S. Academic Institutions** are world-renowned for their excellence in education and research, attracting top talent from around the globe. This rise to global prominence can be attributed to a combination of factors, including substantial government investment in research and development, a culture of philanthropy that has supported the growth of private universities, and a commitment to academic freedom and innovation. The Morrill Acts of 1862 and 1890 played a significant role in establishing land-grant universities, which have become engines of research and innovation. Following World War II, the G.I. Bill and the influx of federal funding for scientific research further propelled U.S. universities to the forefront of global education.

The impact of U.S. academic institutions on a global scale has been profound, with groundbreaking discoveries and technological advancements that have transformed industries and improved welfare worldwide. From the development of the polio vaccine to the creation of the internet, U.S. universities have continuously been at the forefront of innovation. They have also served as a magnet for global talent, attracting the brightest minds from around the world and fostering international collaboration and knowledge exchange.

However, some of the challenges facing U.S. academic institutions, such as rising tuition costs and student debt, threaten to undermine their global competitiveness and societal impact. If left unaddressed, these issues could lead to a decline in the accessibility and affordability of higher

education, limiting opportunities for social mobility, widening economic inequalities, and hindering the ability of U.S. institutions to tackle complex global challenges.

**3. U.S. Capital Markets** are unparalleled in their size, depth, and sophistication. The unique combination of a vast investor base, diverse financial instruments, and robust infrastructure enables U.S. markets to efficiently allocate capital to businesses and entrepreneurs. The U.S. is home to the world's two largest stock exchanges, the New York Stock Exchange and NASDAQ, which together account for a significant portion of global market capitalization. The country's well-developed venture capital and private equity ecosystem further fuels innovation and growth, providing crucial funding for startups and early-stage companies.

However, the scale and interconnectedness of U.S. Capital Markets also present potential risks that must be carefully monitored and managed. If risks such as excessive leverage, opaque financial instruments, or misaligned incentives are not adequately addressed, they could lead to market instability and contagion effects that ripple across industries and borders. Failure to maintain the integrity and resilience of U.S. Capital Markets could undermine investor confidence, stifle economic growth, and erode the country's competitive advantage in the global financial system.

**4. The U.S. Military and Veteran Networks** are renowned for their technological prowess and unrivaled investment in defense capabilities. The military's dedication to advancing the frontiers of science and technology has yielded groundbreaking innovations that have not only enhanced national security but also transformed civilian life in countless ways. However, the true strength and resilience of the U.S. military lie not just in its cutting-edge technology but also in the health, well-being, and leadership of the men and women who serve.

Investing in the physical, mental, and emotional health of service members is crucial to maintaining a robust and effective fighting force. Equally important are the support systems and resources provided to veterans as they transition back into civilian life. By prioritizing the well-being of its military personnel and veterans, the U.S. can ensure that it not only retains top talent but also benefits from the unique skills, leadership experience, and entrepreneurial spirit that veterans bring to the workforce.

While the substantial defense budget demonstrates a strong commitment to national security, it is essential to strike a balance between technological investments and human capital development. Overemphasis on military solutions to global challenges may lead to a neglect of other critical aspects of national power, such as diplomacy and economic influence. By investing in the health and well-being of its military and veteran networks, the U.S. can cultivate a resilient and adaptable force capable of addressing the complex security landscape of the 21st century.

**5. The U.S. private sector** is equally dynamic as it is entrepreneurial, which has been a key driver of economic growth and innovation. The country's strong intellectual property rights, coupled with a culture that celebrates risk-taking and self-reliance, have allowed the private sector to flourish. The U.S. is home to many of the world's most valuable and influential companies and individuals. The combination of these individuals and the companies they build not only creates jobs and generates



wealth but also drives technological advancement and shapes global trends. Additionally, the U.S. has a strong culture of philanthropy, supported by a unique tax code that incentivizes the creation of non-profits, not-for-profits, endowments, and charitable giving.

The U.S.' unparalleled level of charitable giving not only addresses critical societal challenges but also fuels innovation and progress in fields that touch all five of the pillars being discussed. Moreover, the tax incentives for charitable giving and the establishment of endowments contribute to the long-term sustainability of non-profit organizations, ensuring that their important work can continue to benefit future generations and strengthen the U.S.' competitive advantage on the global stage.

However, the private sector faces challenges such as increasing income inequality, the concentration of market power among a few dominant firms, and the need to balance short-term profits with long-term social and environmental sustainability. Addressing these challenges will be crucial to maintaining the private sector's role as a driver of innovation and growth.

## **The 5 Pillars Relationship**

The five pillars of the U.S.'s competitive advantage have largely existed in isolation, with collaboration occurring primarily during times of crisis. These crises, such as 9/11, the 2007-2008 financial crisis, and the COVID-19 pandemic, represent "phase-shifts" that compel the pillars to come together and work towards a shared outcome. During these critical moments, the U.S. government often steps in to provide support and coordinate efforts across the pillars.

The siloed nature of the pillars' operations during normal times can lead to missed opportunities for synergy and proactive problem-solving. Each pillar focuses on its own goals and objectives, sometimes without considering the broader implications of its actions on the other pillars and society as a whole. This lack of regular collaboration and communication can result in the creation of unintended consequences and systemic risks.

The examples of 9/11, the financial crisis, and COVID-19 demonstrate how the pillars can effectively mobilize and collaborate when faced with an immediate threat or crisis. In the aftermath of 9/11, the military, private sector, and government worked together to enhance national security and combat terrorism. During the financial crisis, the government intervened to stabilize the capital markets and prevent a complete economic collapse, while academic institutions provided expertise and analysis to inform policy decisions. The COVID-19 pandemic saw unprecedented collaboration between the private sector, academic institutions, and government agencies to develop vaccines, treatments, and public health strategies.

While these examples highlight the potential for successful collaboration, they also underscore the reactive nature of the pillars' relationships. To build a more resilient and proactive system, the pillars must develop mechanisms for regular communication, information sharing, and problem-solving that extend beyond times of crisis.

## **The Nature of 'Strategic Problems'**

In today's interconnected world, problems are increasingly systemic and have far-reaching effects that touch nearly everyone on the globe. These strategic problems are characterized by their complexity, interdependence, and potential for cascading impacts across multiple sectors and regions.

A current example of a strategic problem (and consistent with the phase-shift point made in the previous section) is the potential that the year 2024 represents, as more people across the world are expected to vote in democratic elections than at any other time in history. This surge in democratic participation presents both opportunities and challenges, as it has the potential to reshape global power dynamics, influence policy decisions, and impact the stability of political systems.

As the world becomes more interconnected and the scale and scope of problems expand, it will be essential for the pillars of the U.S.'s competitive advantage to adapt and develop new strategies for collaboration and problem-solving that can effectively address these systemic challenges.

## **Pillars + Responsibilities**

Given the significant influence and reach each pillar has across society, it is crucial that they take responsibility for any adverse effects their actions may create, whether intentional or unintentional. At a minimum, the pillars should be proactive in changing course when it becomes apparent that their actions could lead to a crisis or critical failure.

However, in practice, the pillars often adopt a reactive approach, waiting for government intervention to prevent a total collapse rather than taking proactive steps to mitigate risks and address potential problems. Examples of this include private equity firms not taking responsibility for their role in the housing crisis, food companies not addressing their contribution to health crises, and social media companies failing to prioritize public safety concerns related to their platforms.

This lack of proactive responsibility can lead to a cycle of crisis and government intervention, rather than a more sustainable and resilient system. To break this cycle, the pillars must embrace a culture of responsibility and accountability, recognizing their role in shaping societal outcomes and taking proactive steps to address potential negative impacts. By doing so, they can contribute to a more stable and equitable system that benefits all stakeholders.

## **Coordinated Leadership**

The previous sections have highlighted the need for an alternative approach to leadership, one that emphasizes coordinated efforts across the five pillars and the government to address strategic problems proactively. By identifying potential issues early and collaborating to develop solutions, the pillars can work together to avoid crises, mitigate damage, and maximize opportunities.

This coordinated leadership approach represents a shift from the current siloed and reactive model,

towards a more proactive and integrated system. By fostering regular communication, information sharing, and problem-solving among the pillars, leaders can create a more resilient and adaptable framework for addressing the complex challenges presented by the modern security environment.

This concept of coordinated v.s. centralized leadership could benefit from a formal designation, such as "Global Strategic Collaboration" (or GSC), but the point is that it encapsulates this new approach to leadership, emphasizing the importance of partnerships and collaboration on a global scale to tackle systemic problems. By embracing a new model like this, the U.S. can leverage its unique competitive advantages to not only maintain its position as a global leader, but also generate, drive, and sustain positive systemic change.

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