

Opinion [The Exchange](#)

America's economic unique selling points are at risk

Entrepreneurship, educational institutions and capital markets all face challenges

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The California Institute of Technology has yielded top slot in the Times Higher Education global rankings to the University of Oxford © Bloomberg

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Ask people who remain positive about America's long-term economic future about the reasons for their optimism and many will point to three unique selling points of the country: entrepreneurial spirit, world-class educational institutions and the depth of its financial capital markets.

There is no question that US entrepreneurial spirit has set itself apart from both developing and developed countries over many decades. America is the home of [Silicon Valley](#) and the companies that lead the world of technological innovation — encapsulated in the highly valuable technology stocks of the Fangs: [Facebook](#), [Amazon](#), [Netflix](#) and Google. The big consumer names of [Coca-Cola](#), [McDonald's](#) and [Starbucks](#) continue to dominate their markets globally, as do the automotive giants — [Ford](#), [General Motors](#) and now [Tesla](#) — and industrial and aeronautical behemoths such as [General Electric](#) and [Boeing](#).

The country's educational institutions also retain their pre-eminence in terms of research and development, and as innovators in medicine, technology and telecommunications.

Finally, US financial capital markets are the global benchmark for breadth and depth in providing liquidity to established companies and fuelling funding for start-ups.

But for how much longer can America retain its leadership in these three areas? There are growing signs that its status in each is being challenged.

Take entrepreneurship and business, where its dominance faces competition from the growing power of corporate China. Industrial and Commercial Bank of China and China Construction Bank now occupy the top two positions of the Forbes Global 2,000, an annual ranking that reflects not just market capitalisation but also sales, profit and assets. In the 2017 list, Chinese corporates hold four places in the top 10 with one from Japan and five from the US.

Even more worrying is the long-term decline in entrepreneurship. According to the think-tank New America, the number of new [employer-created businesses](#) in the US halved between 1977 and 2010 (from 35 per 10,000 Americans to 17 per 10,000). The share of self-employed Americans dropped by 20 per cent from 1991-2010.

More recent data from the US Bureau of Labor Statistics suggest a revival in entrepreneurship from 2010-2015, with a 23 per cent rise in the number of business establishments less than a year old. Crucially, however, those are supporting 1m fewer jobs — only 3m in 2015 compared with more than 4m 20 years ago.

Meanwhile, in 2016, for the first time in 12 years, the Times Higher Education global rankings for universities showed that the number one slot went outside the US (to the University of Oxford). Furthermore, the survey highlights the surge of Chinese universities, especially in the field of engineering and technology: China now has 35 institutions in the top 100 engineering and tech rankings, up from just seven in 2016.

The number of foreign students at American higher education institutions has grown to more 1m today. However, there is evidence of a slowing of growth in new applications and enrolments. According to the Institute of Internal Education, the number of new [international students](#) enrolling in 2016-17 fell 3 per cent from 2015-16. In the same period, the number of Indians applying for the F1 student visa declined 16 per cent.

This is worrying because, traditionally, Indians have formed a large proportion of science, technology, engineering and maths (Stem) student ranks. According to the World Economic Forum and the National Center for Educational Statistics respectively, 568,000 [Stem graduates](#), and 1.9m [bachelor degrees](#) were awarded in the US in 2015. These numbers, though not precisely like for like, indicate that Stem graduates make up roughly 30 per cent of graduates in the US.

IIE data show 80 per cent of the more than 130,000 Indian students in the US are enrolled in Stem degrees. But many are returning home after graduating, leaving America's economy without the benefit of the skills and knowledge they have acquired. This is in large part down to the caps on visas and difficulties foreign graduates have in securing a [green card](#).

Finally, US stock markets are less expansive than before. The Wilshire 5000 Total Market Index reached a peak of 7,562 publicly listed US stocks in 1998. As of the end of 2016, there were just over 3,600 left, a drop of more than 50 per cent. This sharp decline in part reflects the growth of companies being taken private and share buy backs, as corporate leadership becomes less confident about the volatility and vagaries of the stock market, and their ability to navigate the increasing myopia of investors.

Despite such fundamentally negative shifts, optimists might still argue that the US need not excessively worry about these three trends. After all the US remains, unlike many other countries, largely self-sufficient in terms of access to arable land, potable water, minerals and increasing levels of energy security. But it is becoming patently clear that the factors presented here, if ignored, will cause economic damage over the long term.

The writer is a global economist and the author most recently of 'Winner Take All'. She serves on the boards of Barclays Bank, Barrick Gold, Chevron and Seagate Technology

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