Preface

In the beginning of 1990s, I was inspired to study national competitiveness and economic growth by Michael Porter’s book *The Competitive Advantage of Nations*. Porter’s empirically based and holistic framework explained the economic performance of advanced economies quite well but seemed to leave some room for theoretical improvement. In particular, the role of government and international business activities as determinants of economic performance required more research. At the same time, economics and other social sciences offered narrow theories of economic competitiveness and growth that lacked many empirically important factors. This suggested that competitiveness and growth studies would benefit from a more comprehensive theoretical framework that synthesized the relevant economic and social theories.

Building such a systemic framework proved to be a major undertaking. It took ten years to complete this book. The initial static competitiveness framework soon appeared insufficient as the rapidly changing environment called for more dynamic theories. This led me to explore the theories of long socio-economic waves and economic history. On the road, I found many other interesting theories and studies that shed new light on the determinants of economic performance. Many of them were from non-economic disciplines. The dynamic analysis of market failures and government role was particularly exciting since most institutional analysis had been conducted in a static framework. In the end, I was happy to find out that the theoretical framework could explain the economic performance of OECD countries during the current paradigm shift in the world economy. National competitiveness mattered to economic growth.

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