

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.

This book is an extended and revised version of my Ph.D. thesis. Some people from the Rutgers Ph.D. program deserve special thanks. First, I want to thank Professor John H. Dunning who initially encouraged me to write a dissertation on this interesting topic and supported me all the way through the long research project. I am also grateful to Professors J.-C. Spender and H.P. Gray for the many inspiring discussions and useful advice that they gave to me in the early stages of the work. Some of the papers that I co-authored with Professor Spender also became part of this book. Of my student colleagues, I am especially indebted to Professor Rajneesh Narula who recommended that I read Karl Marx if I am interested in how technology changes the world.

I am also grateful to the Finnish Ministry of Trade and Industry, the OECD

and the Finnish National Fund for Research and Development who provided me a stimulating research environment in the late 1990s. I also want to thank the Academy of Finland and the following Finnish foundations whose financial support made my research possible: Alfred Kordelin foundation, Finnish Cultural Foundation, Foundation for Economic Education, Foundation for Finnish securities markets, Paulo foundation and Yrjö Jahnesson foundation.

Last but not least, I want to thank my wife Erja who supported me through this long project. I dedicate this book to her and our three lovely children Max, Erik and Sara.

TH July 2002