Welcome,

I'm Harry Bergsteiner, I'm a co-founder of the Institute for Sustainable Leadership.
Our institute's mission is to use evidence-based principles to help individuals, organizations and countries enhance performance, productivity and profitability while serving people and the planet. We do this through research, publishing and teaching.

In this presentation, I show how the World Economic Forum's global competitiveness forecasts cannot ever be achieved given they are based on false premises and unscientific research methodology. In its 2019 study, ISL did its own study of 104 countries which found that the most highly ranked countries are the central and north-European countries?
In particular we looked at:

- 11 World Bank economic outcome indicators
- 9 World Bank social outcome indicators, and
- 9 environmental outcome indicators.

There's a full paper available on ISL's website, which goes into this study in considerable detail.

The WEF's ranking, regarded as the world's most influential, tends to rank Anglo-neoliberal countries much higher than it should. For example, the WEF's Global Competitiveness Report concluded: "The United States is the closest economy to the frontier, the ideal state."
This is nonsense.

Table
The table that you're looking at here shows ISL's ranking for only 23 countries because putting all 104 countries on this table wouldn't work. It would require a table with 3,000 cells. So we picked 23 key countries that were of particular interest to us and also to the marketplace more generally. The top row shows the countries in their order of ranking starting with Switzerland, Norway, Denmark, Austria, Sweden, Germany and Holland and then there's a whole bunch of countries that are much more mixed up after that. The row below Row 1 is the average of the 11 economic scores; the row below that, the average of the nine environmental scores; and the average below that, the average of the nine social scores. The orange row is the average of the above 3 averages.

Of the first eight countries, only seven are shown because number seven is not one of those 23 countries. The first eight countries are all European, seven of them North European, number seven happens to be Croatia, which obviously is not north-European.
But there are lots of gaps in these numbers to account for all of the countries of the 104 that we couldn't include in this table.
But the one of particular interest to you is the second last column, which is the one for the United States which shows a score of 57 out of 100.
Now the score that the Global Competitiveness Report gives it is 5; that is a huge difference that needs explaining and I'll do that in a minute. This huge discrepancy between the WEF's work and our ranking has to be explained and we've identified four key sources, but there are quite a few others as well. But I don't have time to go into all of these.

Source 1: Competitiveness obviously is about outcomes, things such as national debt, current account balance, inflation, etc. But 90% of the WEF's indicators, DO NOT measure competitiveness. What the WEF measures are inputs. For example, how easy it is to sack people. That is an input; that is not an outcome. And sacking people has outcomes which would then show up in the [outcome] numbers above.

“How easy it is to sack people”, the assertion is that ease of sacking translates into high competitiveness for both companies and countries.

Source 2:
The second source for this huge discrepancy is that the WEF never tests its assertions, that is, there are not even the most basic correlation analyses, and this leads to totally incongruous results as I will show.

This table shows correlations between countries overall ranking, as done by the WEF, and their ranking of that country's labour market flexibility using in this case 12 particular indicators. These 12 indicators are shown in the left hand column and they include things like redundancy costs, the ease of hiring and firing, wage determination flexibility, and so on. For each of these indicators we have a column that shows what the intent of that indicator is. For example, using hiring and firing, the intent is to make it as easy as possible for employers to be able to be able to sack people.

So what we looked at is the correlation between the overall ranking and the ranking of a particular indicator such as Indicator 2 to see whether one in fact tends to beget the other, or not. And in the case of hiring and firing you find a correlation is 0.15, which is as good as nothing.

Go down this table a bit and you find another indicator, in this case active labour market policy such as reskilling the unemployed. Here the correlation is quite high. Now, this is interesting because if you look at the first one, the fact is, that for firing there is no scientific evidence for this assertion. And therefore it does not surprise that the correlation is only 0.15. Had the World Economic Forum done this kind of test, it should have concluded, this assertion doesn't hold, therefore, let's get rid of it.

Look at the one down here, active labour market policies. Now, there's a lot of evidence that skilling and reskilling pay off, and this is industry-wide and organization by organization. So, unsurprisingly, the correlation is strong. This is the sort of work that should have been done but wasn’t.

What all of this means is that the neoliberal orientation that certain countries have, results in them paying a high price for that belief. Just look at this table. If the neoliberal orientation of a country is low such as in the case of New Zealand, it actually will rank fairly high. If the neoliberal orientation is strong or high, such as in the case of the US, the ranking is relatively low—57. What you can see there is that there's a direct inverse relationship between how weakly or strongly a country is oriented towards neoliberalism or not, and it's ranking on competitiveness.

[Source 3]Discrepancy number three.
The WEF basically reports only economic data. For example, the WEF states: “The mounting social and environmental pressures observed in rapidly growing developing and emerging economies suggest that these dimensions are strongly intertwined and therefore should be addressed as part of the economic development process (WEF 2015);

but

of the 2018 GCR 98 indicators

2 only measure social outcomes, and

2, and only 2, measure environmental outcomes.

So to all intents and purposes it pays no attention to environmental and social outcomes.

[Source 4] Overemphasis on the short term
The WEF doesn't measure long-term performance (= outcomes). For example:

Prosperity: how dignified is people's life as against how many billionaires and trillionaires are there?
Well-being: such as security in food, clothing, shelter; and perhaps how many hungry children are there?
Equity: how much sharing is there of the wealth of the country? What about equality before the law?
[Sustainability] And there are no measures for sustainability.

Volatility analysis
We ourselves wondered, and our editor also wondered whether our results were unique for that particular year or actually were indicative of a more general trend.
So we analysed the economic data because that is what the WEF looks at essentially.
And we looked at that economic data over a 20 year period in 5-year spans, that’s four 5-year spans
And our conclusion was that the rankings actually remained relatively stable with a coefficient of volatility less than 0.6 which is well below the accepted standard of 1.

Conclusion
The WEF’s Global Competitiveness Reports while consistently producing similar results over time are basically “reliable nonsense”.
And, very concerningly, if this material were submitted to high-level journals;

- it would not pass a rigorous double-blind peer review process;
- it would not pass rigorous editorial scrutiny, and
- indeed, it would have to be withdrawn if the flaws that we found in the WEF's work were exposed post-publication.

Thank you for your interest.