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Wealth, Competitiveness, and Intellectual Capital – Sources for Economic Development

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Abstract

National wealth, national competitiveness and national intellectual capital were major objectives of a nation in the last century. By this paper we identify strong interrelations between national wealth, national competitiveness and national intellectual capital according to Pearson, R and R^2 results. These interrelations demonstrate that national wealth, national competitiveness and intellectual capital are important sources for increasing the economic development based on data from 40 developed, emerging and developing countries.

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Keywords: national competitiveness; national wealt; national intellectual capital; interrelations

1. Introduction

Generally, economists have measured the development of a nation (country) in terms of increasing per capita income, or gross domestic product. The Working Group on Statistics for Sustainable Development (Eurostat, 2008) sustains that if "the distribution of income is skewed and the poor part of the population is getting poorer even while average income increases, many people, including many economists, would hesitate to call this development.

According to Hausmann and Rodrik (2003) "the theory and practice of economic development have converged in the last two decades on a remarkably simple view of growth fundamentals. Stated in its starkest form, this view is that economic growth requires two things: foreign technology and good institutions. This perspective is well grounded in the neoclassical model of economic growth, which predicts that poor countries will experience rapid convergence with

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advanced economies once they have access to state-of-the-art technologies and their governments respect property rights.

Economic development is in Todaro and Smith (2009) opinion "both a physical reality and a state of mind in which the society has secured the means for obtaining a better life. Whatever the specific components of this better life are, development in all societies must have at least the following three objectives: (1) To increase the availability and widen the distribution of basic life-sustaining goods; (2) To raise the levels of living including higher incomes, the provision of more jobs, a better education, and greater attention to the cultural and human value; (3) To expand the range of economic and social choices.

Many other specialists considered that economic development is a system of differential equations the solution to which imitates some of the main features of the economic behavior that we observe in the world economy (Lucas Jr.,1988), a development that meets the needs of the present without compromising the ability of future generation to meet their own needs (World Commission on Environment and Development), not only national stocks of manufactured, human, and natural capital (Dasgupta, 2002).

In this context, the level of economic development of a country can be influenced by a variety of factors such as: geography, modernization processes, culture, liberalization (Lynn and Vanhanen 2002; Yang, 2011); genuine savings as key indicators to measure change in sticks of critical nature assets (Pearce, Hamilton, and Atkinson, 1996); the state of education and health in the society, taking into consideration the fact that education creates knowledge, skills and capabilities (Bontis, 2001, Malhotra, 2002, Benhabib and Spiegel, 1994); competitiveness as the ability to produce welfare (Aiginger, 2006).

Taking into consideration the following: (1) "Moving to an advanced economy requires that vigorous local rivalry develop… Competition must shift from imitation to innovation and from low investment to high investment in not only physical assets but also intangibles (Porter, 2000); (2) "The intelligence of the population has been a major factor responsible for the national differences in economic growth and for gap in per capita income between rich and poor nations (Lynn and Vanhanen, 2002); (3) Economic development is not only about per capita wealth, where wealth includes produced, natural, and human capital (Dasgupta and Maler 2000, Arrow et all. 2003, Lange 2004), it is "about a shift in focus from economic development as GNP growth to economic development as a process of portfolio management that seeks to optimize the management of each asset and the distribution of wealth among different kinds of assets (Lange 2004), we chouse national wealth, national competitiveness and national intellectual capital as sources for economic development.

This paper presents, in the first part, a theoretical approach of the national wealth, national competitiveness and national intellectual capital in order to identify their role in increasing the economic development. It also describes the construction of the national intellectual capital index (NICI) taking into consideration four categories of capital, such as national human capital, national market capital, national renewal capital and national process capital, and the construction of growth competitiveness index (GCI) taking into consideration 12 pillars elaborated by the World Economic Forum. The national wealth is approached through GDP per capita. In the second part, the paper emphasizes some interrelations between national wealth, national competitiveness, and national intellectual capital.

2. Conceptual framework

2.1. National Wealth

National wealth is "the aggregate of individuals' wealth or the successful results of the efforts of individuals to improve their condition…The acquired elements of national wealth are capital, labor, skills, enterprise and talents of its inhabitants (Jennison, 1828).

The most recognized measure used for economic growth is GDP per capita. This approach focuses on the growth of material living standards rather than on the growth of productivity. The GDP per capita level represents the best quantitative measure of growth (Ezeala-Harrison, 1996) and a quantitative indicator in order to compare countries across regions and monitor development progress through time (Bonini, 2008).

In Shirras`s (1949) opinion each country should prepare not only annual estimates of national income or GDP, but also estimates of national wealth. By national wealth is meant the total goods within a country owned by the inhabitants in their individual or corporate capacity.