UDC: 339.9
Original scientific paper
Recived: December 15, 2019
Accepted: December 29, 2019
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COMPETITIVENESS OF NATIONAL ECONOMIES ACCORDING TO THE CONCEPT OF THE WORLD ECONOMIC FORUM AND LABOR PRODUCTIVITY

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Abstract: *The topic of the research is the competitiveness of national economies according to the World Economic Forum (WEF), on the one hand, and the productivity of these same economies on the other. The detailed concept, definition and methodology of measuring competitiveness are presented, as well as different understandings of macroeconomic productivity and methods of its measurement. Everything was done in order to determine the connection between these phenomena and check the basic WEF setting that competitiveness determines productivity. The analysis uses the current data of the International Labor Organization (ILO) and The Global Competitiveness Report 2019. From the point of view of measurement, one of the variable ordinal (position) and the other type Scale for testing the hypothesis will be used* χ^2 *test. The SPSS software package will be used for data processing. The obtained result unequivocally indicates that strong conditionality of the position of the economy on the ranking of competitiveness with the achieved results in productivity has been confirmed. This knowledge is worthy in terms of promoting the high value and importance of the competitiveness of national economies by the concept of WEF. Thus, it can be concluded that if the productivity of the entire economy is to be improved, the most reliable way is to build a more competitive economy.*

Keywords: *competitiveness, World Economic Forum, productivity*

1. INTRODUCTION

The purpose of this paper is to analyze and verify the basic settings of the competitiveness of national economies in the world as defined by the World Economic Forum, hereinafter referred to as the WEF, which is followed and published in its regular reports on competitiveness in the world.

This forum traditionally meets every year in the Swiss village of Davos with the participation of eminent economists, scientists, businessmen and politicians. In general, although every time the most current problem of the world economy is in the focus, in the long term it promotes the idea of globalization that requires flexibility, openness and global integration from every national economy. Declaratively, most participants are committed to the freedom of movement of goods, people, capital and ideas, which favors the growth of knowledge, education and technical progress as the main generator of economic growth and development. It is pointed out that the level of competitiveness of each national economy is precisely its ability to adapt to the contemporary reality and determines its position on the world market.

That is why The Global Competitiveness Report has a great reputation, which this forum regularly publishes year after year. The report, by its coverage, according to the number of countries and indicators, provides a complete analysis of the economy in the world. It displays and analyzes the national economy in absolute terms, in terms of the value of competitiveness indicators itself, but also in relative terms, in relation to its rank relative to the rest. The basic measure is the Global Competitiveness Index (hereinafter referred to as GCI), but the values and ranking are also published according to partial indicators, which provides the possibility for more detailed studies that can serve as a basis for taking corrective measures. Also, the measurement of these results from year to year allows monitoring the changes in the performance of national economies in this aspect.

The report is made in a very detailed manner, based on a standardized survey, which each year covers the largest number of representative companies. As a rule, company management assesses the terms of business from 1 (worst) to 7 (best). Since survey data account for around 60% in the quantification of an integral assessment of competitiveness, a high degree of objectivity is achieved and the influence of political factors is avoided. This is in line with the very meaning of the competitiveness of the national economy, which essentially represents the conditions for the growth of the microeconomic competitiveness of its economic entities, which is reflected in the domestic market, and crucial in the world market.

Considering the high reputation of the Forum and the Report, the perceived competitiveness of national economies has not only a macroeconomic significance for scientific analysis, but a real economic and political impact. Therefore, the Serbian public regularly devotes attention to this, especially in the context of attracting foreign direct investments (Foreign Direct Investments, hereinafter - FDI). Also, in addition to this primarily economic aspect, and in political terms, it always aims at a better position among the countries of the region - candidates for admission to the European Union. In addition to all this, it is not negligible either to link the rank of national economies at the rate of economic growth with their GCI rank. (Knežević, et al., 2013)

The stated multiplicity of competitiveness of national economies according to the WEF concept is an indisputable fact. Here we will try to find out the mechanism, as it really is

in practice, this perceived competitiveness works. What is his inner logic? Is everything really the way that this reputable institution, with its collaborators and authors, suggests to us. More precisely, we want to measure the extent to which this is true.

2. DEFINITION OF COMPETITIVENESS

In the science world, the competitiveness of national economies is a category of recent date. It is in the last decades of the twentieth century, with a strong momentum of science and the development of the global market, that, as never before, the challenges of competitiveness, (Hamel, 1994) ***not only on the micro, but also, as a recent phenomenon, competitiveness at the macro level.***

The regular "The Global Competitiveness Report" of the WEF and "Doing Business" of the World Bank (World Bank, hereinafter referred to as WB) include a number of indicators, have developed methodology and give the most complete picture of competitiveness almost of all national economies, and, as such, are recommended for consideration by all investors in the world, as well as officials who promote the competitiveness of their own national economies.

It has already been pointed out that the "The Global Competitiveness Report", by its comprehensiveness, both by number of countries and by number of indicators, provides a complete analysis of the competitiveness of each observed economy, both in absolute terms, in terms of the value of the indicators themselves, as well as in relative terms, allowing comparisons with other countries. Its universality is also reflected in the fact that it also synthesizes more than half of the results covered by the aforementioned World Bank report.

Considering the competitiveness of national economies as a whole, in calculating the GCI, in addition to the above-mentioned primary sources (surveys), secondary ones, ie, official sources for data that cannot be collected in the manner described by managers' surveys in the economy. These are primarily statistical data such as, for example, the number of computers and internet connections installed, the number of telephone lines, education and health information, monetary and fiscal data, GDP, demographic data, etc.

By combining these data, 12 pillars of competitiveness have been constructed, which can be grouped into three sections, all together, make up one synthetic GCI. The basic pillars of competitiveness include: institutions, infrastructure, macroeconomic stability and health and primary education. The second factor called efficiency consists of the following pillars of competitiveness: higher education and training, efficiency of the goods market, labor market efficiency, sophistication of the financial market, technological readiness, as well as the size of the market. The third factor, called inventiveness, consists of only two pillars of competitiveness, namely: business process sophistication and innovation. (Schwab, 2010)

We must note that from over a hundred indicators that follow the World Economic Forum at the ultimate level of decomposition of the pillars of competitiveness, 6 is taken from the Doing Business report, which confirms the assessment that the WB competitiveness report is well integrated in the World Competitiveness Report. These are the following indicators: 1. Strenght of investor protection; 2. Total tax rate (% share in profits); 3. Number of procedures required to start a business; 4. Time required to start a business; 5. Redundancy costs; 6. Legal rights index.

We can conclude that the WEF Report is indeed the most comprehensive overview of the competitiveness of global economies. This is especially because it also includes the bulk of the problem of the second most authoritative source. About half of the indicators in the WB Report are found directly in The World Competitiveness Report, while others are treated from their own research or other sources, such as: hiring workers, the ability to obtain loans, and ease of trade with foreign countries. Thus, we can summarize that the WEF report really also treats the ease management as one of the elements of the much broader concept of competitiveness of contemporary world economies. No other methodology for assessing and monitoring the competitiveness of modern world economies uses such a large number of indicators and has no such elaborated and transparent methodology.

Otherwise, the Global Competitiveness Index that links micro and macroeconomic factors of competitiveness, and which has been adopted and used by WEF since 2005 in its World Competitiveness Reports, was designed by Professor Sala-i-Martin at the beginning of this century. In this report, national competitiveness is defined as **"... set of institutions, policies and factors that determinend the level of productivity of a country."** ***(Schwab, 2010)***

3. UNDERSTANDING OF PRODUCTIVITY

As early as the 18 th century, physicists define it as "the ability to produce". (Šulterer, 1960) Modern economists, in the broadest sense, understand and measure productivity as the relationship between the results of business (business) and spent (engaged) factors in that process. More precisely, this is the coefficient of output and invested input.

Therefore, it is possible to have more understanding of productivity. In general terms, outputs can be expressed in terms of value and natural value. Natural expression usually faces the problem of reducing a wide assortment to a unidentified, and this is done through the so-called conditional product (services). Valuable disclosure is encountered with the problem of the instability of prices of goods and services, as well as courses in international comparisons. This is solved in accordance with the angle of observation and the objectives of the analysis by eliminating inflation in various ways (constant prices, deflators, etc.) and the problem of courses, most often through the so-called "purchasing power of money (PPP)".

Input can be very different. Also, analysis can be done on the basis of only one or more inputs, so we have single-factor and multi-factor indicators of productivity. Often the one-factor relates to labor or capital, and it's about labor productivity and productivity of capital. Multi-factor indicators are those that treat simultaneously work and capital as input or a whole set of inputs together: work, capital, energy, material... (Nelson, 1994)

It should also be emphasized that productivity can be analyzed for the purpose of comparing subjects at one time, as well as by monitoring the time series which also influences the choice of methods and techniques of expression. Similarly, it works whether we are interested in the micro or macro level, ie whether we are dealing with productivity of the company or wider, when we usually use scratch sizes. In macro productivity, it is chosen in the expression of output between gross and net size. The net domestic product is theoretically more precise, but it is always a problem to calculate depreciation. Similarly, it is more realistic to use a national than a domestic product, but here the problem of accessibility and availability of mass statistical data is being raised, too.

In The Global Competitiveness Reports, (Schwab, 2016) WEF does not explicitly state what it means under «productivity in one country» when it defines competitiveness. It is a general impression stemming from the study of these reports that it is thought of multifactor productivity, however, it is only implicit, that is, there is neither data nor methodology for expressing productivity, when dealing with the main topic - the competitiveness of national economies.

On the other hand, the distinguished authors of Begg, Fisher and Dornbusch in their capital "Economics" consider productivity solely as labor productivity. (Begg,2010) The productivity of other factors is not mentioned here. Similarly, Baumol in a productivity-focused collection addresses national productivity exclusively as productivity in terms of working hours (Baumol, et al., 1994). An almost identical approach to meet with Nelson and Wright. (Nelson, 1994)

Dollar and Wolff, unlike the aforementioned authors studied as a multi-factor productivity, or as they say, total factor productivity - TFP. (Dollar, 1994) It is, in fact, a synthetic expression of labor productivity and capital presented by the following formula:

$TFP = Y / [aL + (1 – a) K]$

Here, the index of total factor productivity is seen as the ratio between the additional value of the Y sector and the accumulated weighted average employment of L and gross basic capital K, while "a" represents the share of earnings. (Dollar, Wolff, 1994) These authors provide further analysis and comparison of a small number of developed countries, OECD members, highlighting the problem of lack of data for others.

Dertouzos, Lester and Solow, also deal with labor productivity, as a multifactorial, where under input they consider the synthesis of labor and capital. (Dertouzos, et al., 1989) ***They analyze the productivity of the branches of the US economy, as they s***ay "multifactorial productivity" (labor and capital). However, already with international comparisons, with a very limited number of developed countries, only labor productivity is used, and this is expressed as a GDP per employee from the available OECD statistical documentation, although they are aware that it is much more accurate indicator of the GNI per working time. (Dollar, Wolff, 1994) ***These authors, similar to WEF, emphasize a number of influencing factors on the productivity of the national economy, such as the macroeconomic environment, state policy, enforcement practice (including environmental protection), consumer protection, health and safety regulations, food regulations and drugs, antimonopoly policy, labor market regulation, etc. Also important are the conditions, that is, the support for the development of small enterprises and new technologies, as well as support to the American industry for the fight against international competition. The significance of tax regulations is especially emphasized.*** (Dollar, Wolff 1994)

Marta Bazler-Madžar, in fact, believes that productivity and competitiveness have a mutually incentive effect both on micro and macro-plan: "By changing, primarily, due to technological progress, productivity is also the cause and result of dynamic processes in the economy, which, in addition to technological progress include the growth of human and physical capital, organizational improvements in the microeconomic sphere, and in the wider social environment." (Bazler-Madžar, 1990) ***To demonstrate productivity at macro level she uses a*** national GDP per employee, ***which in fact represents the productivity of labor. Also, as previously mentioned authors, dealing with productivity at the macro level, the importance of productivity of capital is emphasized*** as another partial indicator. ***In***

defining «global factor productivity», the inclusion of labor and capital includes a residual factor. (Bazler-Madžar, 1990)

In her further presentation, the author presents the results of her research on the movement of this perceived multifactorial productivity of the national economy, coming to the similar conclusions presented to us by WEF. Namely, she also argues that the productivity thus understood depends on the following factors: levels of education, use of managerial, organizational and technological innovations, fiscal system, quality of public administration, institutional environment, cultural level, political stability, demographic characteristics,... etc. (Bazler-Madžar, 1990)

In this study, the author in calculating the productivity of Serbia, uses the available domestic statistical data, considers the productivity of labor as a ratio of GDP and the number of employees, and capital productivity is calculated using the capital coefficient. ***Thus, in the expression of the results (outputs),*** Bazler-Madžar defines a gross expression, first of all, as explained, because of the availability of data and the statistical calculation problem, even when it concerns only Serbia. For similar reasons, the number of employees is used as a working input. For productivity of capital, it is necessary to dispose of data on the value of basic production funds. (Bazler-Madžar, 1990)

If we can draw any conclusion from all the above papers, it is indisputable that national productivity is very significant, and in its essence multifactorial, which is implicit assumption of WEF. It is also conditioned, in principle, by all those elements that construct GCI. In any case, when we study the productivity of a large number of world economies, whose competitiveness is measured by WEF, we have a problem of data availability. It is almost impossible to provide all the data for all variants of expression and calculation of productivity that we have mentioned. Therefore, in the investigation, precisely the availability of data is precisely what an aggravating factor poses. Within the framework of this research, the only real possibility is to calculate labor productivity.

In general, we are interested in the extent to which the ranking of national economies in terms of productivity, with rankings for competitiveness, agrees. We consider this to be a check of the basic definition of WEF which explains the competitiveness of national economies. We want to see whether, and more precisely, the extent to which they are more competitive and more productive. For the reasons given above, here we will deal only with the productivity of labor. Prior to statistical evaluation and verification, we are inclined to believe that the correct hypothesis is that greater competitiveness is conditioned by higher productivity of labor. If this is confirmed, it will also be a confirmation of the very core of the nature of the competitiveness of national economies, as it is understood and published by WEF in its reports. The GCI would thus receive an undoubted confirmation of its value.

4. APPLIED METHODOLOGY AND RESEARCH RESULTS

For a concrete verification of our research hypothesis, we will obtain data on ranking the world economy from the aspect of their competitiveness from the WEF report for 2019, and data on the productivity of these same economies for that period, monitored by the ILO (International Labor Organization). In the synthesized tabular compilation, this is shown in Table 1.

Table 1. Rank of countries by competitiveness and labor productivity (P) in the 2019.

Rank (GCI)	Country	P	Rank (GCI)	Country	P	Rank (GCI)	Country	P
1	Singa-pore	153852	48	Mexico	40453	95	Kenya	8818
2	U S A	117227	49	Bulgaria	44354	96	Kyrgyz	9523
3	Hong Kong	114264	50	Indonesia	25805	97	Paraguay	19131
4	Netherlands	97616	51	Romania	56806	98	Guatemala	19071
5	Switzerland	106681	52	Mauritius	48821	99	Iran,	68776
6	Japan	77384	53	Oman	68116	100	Rwanda	4011
7	Germany	92718	54	Uruguay	46295	101	Honduras	10923
8	Sweden	100078	55	Kazakhstan	52589	102	Mongolia	32233
9	U K	82217	56	Brunei	170536	103	El Salvador	17563
10	Denmark	98471	57	Colombia	28080	104	Tajikistan	12419
11	Finland	93160	58	Azerbaijan	34190	105	Bangladesh	9691
12	Taiwan,	129519	59	Greece	67037	106	Cambodia	7334
13	Korea, Rep.	72270	60	S. Africa	43369	107	Bolivia	15841
14	Canada	87936	61	Turkey	75072	108	Nepal	4468
15	France	97408	62	Costa Rica	37609	109	Nicaragua	12476
16	Australia	92936	63	Croatia	58758	110	Pakistan	15906
17	Norway	131967	64	Philippines	20671	111	Ghana	11848
18	Luxembourg	221453	65	Peru	23319	112	Cape Verde	15360
19	N. Zealand	71124	66	Panama	51614	113	Lao PDR	13353
20	Israel	81156	67	Viet Nam	11757	114	Senegal	10681
21	Austria	96643	68	India	19589	115	Uganda	4856
22	Belgium	105301	69	Armenia	24805	116	Nigeria	18392
23	Spain	87113	70	Jordan	38874	117	Tanzania	6182
24	Ireland	157288	71	Brazil	33195	118	Côted'Ivoire	-
25	U A E	100218	72	Serbia	30570	119	Gabon	62350
26	Iceland	84534	73	Montenegro	49213	120	Zambia	9746
27	Malaysia	60187	74	Georgia	21660	121	Eswatini	28880
28	China	31380	75	Morocco	26442	122	Guinea	6208
29	Qatar	160123	76	Seychelles	-	123	Cameroon	8177
30	Italy	96469	77	Barbados	36285	124	Gambia,	5417
31	Estonia	64494	78	Dominican	36327	125	Benin	5456
32	Czech Rep.	70238	79	Trinidad	65725	126	Ethiopia	3976
33	Chile	51703	80	Jamaica	18144	127	Zimbabwe	3892

34	Portugal	61394	81	Albania	31133	128	Malawi	2734
35	Slovenia	73310	82	Macedonia	38987	129	Mali	6395
36	S. Arabia	124032	83	Argentina	48109	130	Burkina F.	5280
37	Poland	62942	84	Sri Lanka	34134	131	Lesotho	8915
38	Malta	96759	85	Ukraine	19966	132	Madagascar	2928
39	Lithuania	64221	86	Moldova	14641	133	Venezuela	27174
40	Thailand	31007	87	Tunisia	37380	134	Mauritania	15088
41	Latvia	59081	88	Lebanon	41021	135	Burundi	1614
42	Slovak Rep.	67853	89	Algeria	55316	136	Angola	14785
43	Russian F.	54190	90	Ecuador	54190	137	Mozam-bique	2815
44	Cyprus	51596	91	Botswana	40667	138	Haiti	4217
45	Bahrain	70352	92	B & H	39423	139	Congo,	13041
46	Kuwait	119561	93	Egypt	39313	140	Yemen	5703
47	Hungary	62493	94	Namibia	32660	141	Chad	4951

In the mentioned table, the results from the last available The Global Competitiveness Report, (Schwab, 2019) as well as data on the productivity of the same economies created by the International Labor Organization (hereinafter referred to as the ILO). For the measure of competitiveness, we took the rank of the observed economies, because we consider this the only real parameter. Namely, for one economy, the only thing that matters is how competitive it is with the others, and not how much it's GCI is. Likewise, in a number of cases, the values of the Index for the observed year in some countries are equal, so it was worthwhile to rely on ranking by the WEF, taking into account, above all, the trend of competitiveness.

Regarding the productivity of national economies, we decided to use ILO data. Productivity is expressed in the most feasible way possible, as GDP per employee. GDP is given at constant prices from 2011, and the purchasing power parity (PPP) was used for the calculation. ILO data relate to 2019, so it is absolutely correct to use them with the WEF data relating to 2019 for the purposes of our research.

Using the above data, we will examine the starting hypothesis of our research using a statistical apparatus. From the point of view of a measurement, one of the variable ordinal (position) and the other type *Scale* for testing the hypothesis will be used χ^2 test. The SPSS software package will be used for data processing. There are several types of tests. The study will use the Independence or Homogeneity Test. By the independence test, we test a zero hypothesis that the two variables of the observed basic set are not interconnected, that is, they are independent, in contrast to the alternative hypothesis that the variables are related (dependent).

In our research, the zero hypothesis would be that the productivity of the national economy is not significantly related to the ranking of this economy by the criterion of competitiveness. Confirmation of this assumption would call into question the fundamental definition of competitiveness of WEF and the value of all previous measurements and reports produced according to the technology explained. An alternative hypothesis, which would automatically be accepted in case of denial of this, would be that the productivity

of the national economy and its ranking of competitiveness are dependent. In this case, it would be unambiguously confirmed that the productivity of the economy depends directly on competitiveness in the way it has been defined and measured by this reputable organization.

Table 2. Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19599.000[a]	19460	.240
Likelihood Ratio	1392.778	19460	1.000
Linear-by-Linear Association	88.968	1	.000
N of Valid Cases	141		

[a.] 19740 cells (100.0%) have expected count less than 5. The minimum expected count is .01.

Since Sig. = 0.240> 0.05 there is no statistically significant difference between the value and the position taken by the state.

The average productivity value is 48710.53. The Skewness value = 1.356> 0, and is greater than the median of 38987.00, is scattered symmetrically to the right (positively asymmetrical). 50% of countries have a productivity of less than 38987.00, and 50% more. The smallest productivity is 1614.00 and the largest is 221453.00. The value of the first quartile is 14713, which means that 25% of countries have productivity less than 14713, while the value of the third quartile is 70295, ie. 75% of countries have productivity less than 70295. With a probability of 95%, we claim that productivity is moving in the interval of (41827,06 ; 55594,00).

Table 3. Descriptives

			Statistic	Std. Error
Productivity	Mean		48710.53	3481.679
	95% Confidence Interval for Mean	Lower Bound	41827.06	
		Upper Bound	55594.00	
	5% Trimmed Mean		45035.97	
	Median		38987.00	
	Variance		1.709E9	
	Std. Deviation		41342.653	
	Minimum		1614	
	Maximum		221453	
	Range		219839	
	Interquartile Range		55582	
	Skewness		1.253	.204
	Kurtosis		1.853	.406

The coefficient of variation of productivity is > 30% meaning that the data in the series $v = \frac{s}{\overline{x}} \times 100 = \frac{41342,65}{48710,53} \times 100 = 84,87\%$

is not homogeneous.

By summarizing the statistical analysis we can confirm our alternative hypothesis that the productivity of the economy depends significantly on its competitiveness. In this way we checked and confirmed the basic definition of the competitiveness of the economy promoted by WEF, as well as the validity of the methodology used in the preparation of the regular annual World Competitiveness Report. Otherwise, in the domestic literature we did not meet the works dealing with statistical checking of the above items. Therefore, we consider this approach to be a contribution to the study of macro-competitiveness and a certain emphasis on the value of the concept of WEF and the significance of the Report that it creates.

Therefore, we think that, in general, it is possible and necessary to carry out further research on the competitiveness of national economies and to improve the methodology of measurement. The WEF itself is active in the field as well as various distinguished authors (eg. Porter). The results of this are proposals such as the new GCI, long-term competitiveness index, and similar. However, for now, the basic concept is inviolable, and all subsequent work on its improvement and diversification must have as its starting point the concept exposed and checked in this paper if it strive to success.

In practical terms, the results of this survey suggest that economic system creators and economic policy makers in all countries must take seriously into account World Competitiveness Reports published regularly by WEF because they are based on sound principles and can be usefully used to achieve the ultimate goal, and this is the growth of the productivity of the economy.

CONCLUSION

The subject of our research was to determine the link between the competitiveness of national economies and their productivity. As a basic approach to competitiveness, we have chosen the WEF concept and competitiveness measurement across the GCI. The accent was put on the country's position on the ranking list of competitiveness. On the other hand, the productivity of the national economy is treated as GDP per employee expressed in constant prices and calculated according to the principle of PPP. The purpose of this paper was to verify the WEF's initial definition for measuring and tracking competitiveness, which states that, ultimately, GCI is the basic determinant of productivity of the national economy.

For the statistical check of the available data for 2019 we used statistical equipment. We checked the hypothesis that the ranking of competitiveness does not affect the size of productivity. We have established that this connection has no statistical significance, which automatically confirms the validity of an alternative hypothesis that asserts the exact opposite, that competitiveness determines productivity.

It should be kept on mind that this research is relatively small. For full confirmation of the above hypothesis, it would certainly be important to perform much wider checks, primarily taking into account all available World Competitive Reports. It should also be borne in mind that the sources do not have data on all world economies for all years. Nevertheless, in spite of this, we consider that the results obtained have an important analytical value.

First of all, we consider that a step has been made in highlighting the significance and illumination of this topic in the contemporary Serbian economy, dominated by macroeconomic issues such as economic growth, GDP pc, budget deficit, public debt, FDI and simi-

larly. With this paper we try to recall the long-term fundamental significance of productivity. We also point out that the way for its improvement is to raise competitiveness in line with the WEF concept. We point out that in the macroeconomic sense, for our country, the position and trend of the competitiveness of the national economy is more important than many other indicators that are in the focus of our professional and political public, while this is unjustifiably reported in our opinion.

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