per capita. Americans are constantly told by their politicians that the only thing we have learn from other countries' health care systems is to be thankful for ours. Most Americans ignore the fact that a third of the country's public schools are totally dysfunctional (because their children go to the other two-thirds). The American litigation system is now routinely referred to as a huge cost to doing business, but no one dares propose any reform of it. Our mortage deduction for housing costs a staggering $80 billion a year, and we are told it is crucial to support home ownership. Except that Margaret Thatcher eliminated it in Britain, and yet that country has the same rate of home ownership as the United States. We rarely look around and notice other options and alternatives, convinced that "we're number one." But learning from the rest is no longer a matter of morality or politics. Increasingly it's about competitiveness.

Consider the automobile industry. For a century after 1894, most of the cars manufactured in North America were made in Michigan. Since 2004, Michigan has been replaced by Ontario, Canada. The reason is simple: health care. In America, car manufacturers have to pay $6,500 in medical and insurance costs for every worker. If they move a plant to Canada, which has a government-run health care system, the cost to the manufacturer is around $800 per worker. In 2006, General Motors paid $5.2 billion in medical and insurance bills for its active and retired workers. That adds $1,500 to the cost of every GM car sold. For Toyota, which has fewer American retirees and many more foreign workers, that cost is $186 per car. This is not necessarily an advertisement for the Canadian health care system, but it does make clear that the costs of the American health care system have risen to a point that there is a significant competitive disadvantage to hiring American workers. Jobs are going not to countries like Mexico but to places where well-trained and educated workers can be found: it's smart benefits, not low wages, that employers are looking for. Tying health care to employment has an additional negative consequence. Unlike workers anywhere else in the industrialized world, Americans lose their health care if they lose their job, which makes them far more anxious about foreign competition, trade, and globalization. The Pew survey found greater fear of these forces among Americans than among German and French workers, perhaps for this reason.

For decades, American workers, whether in car companies, steel plants, or banks, had one enormous advantage over all other workers: privileged access to American capital. They could use that access to buy technology and training that no one else had—and thus produce products that no one else could, and at competitive prices. That special access is gone. The world is swimming in capital, and suddenly American workers have to ask themselves, what can we do better than others? It's the dilemma not just for workers but for companies as well. What's critical now is not how a company compares with its own past (are we doing better than we were?), but how it compares with the present elsewhere (how are we doing relative to others?). The comparison is no longer along a vertical dimension of time but along a horizontal one of space.

When American companies went abroad, they used to bring with them capital and know-how. But when they go abroad now, they discover that the natives already have money and already know how. There really isn't a Third World anymore. So what do American companies bring to India or Brazil? What is America's competitive advantage? It's a question few