

# **The Power of Productivity**

**WEALTH, POVERTY, AND THE  
THREAT TO GLOBAL STABILITY**

William W. Lewis  
The University of Chicago Press, 2004

Information Technology and Innovation Foundation  
Washington

May 6, 2008

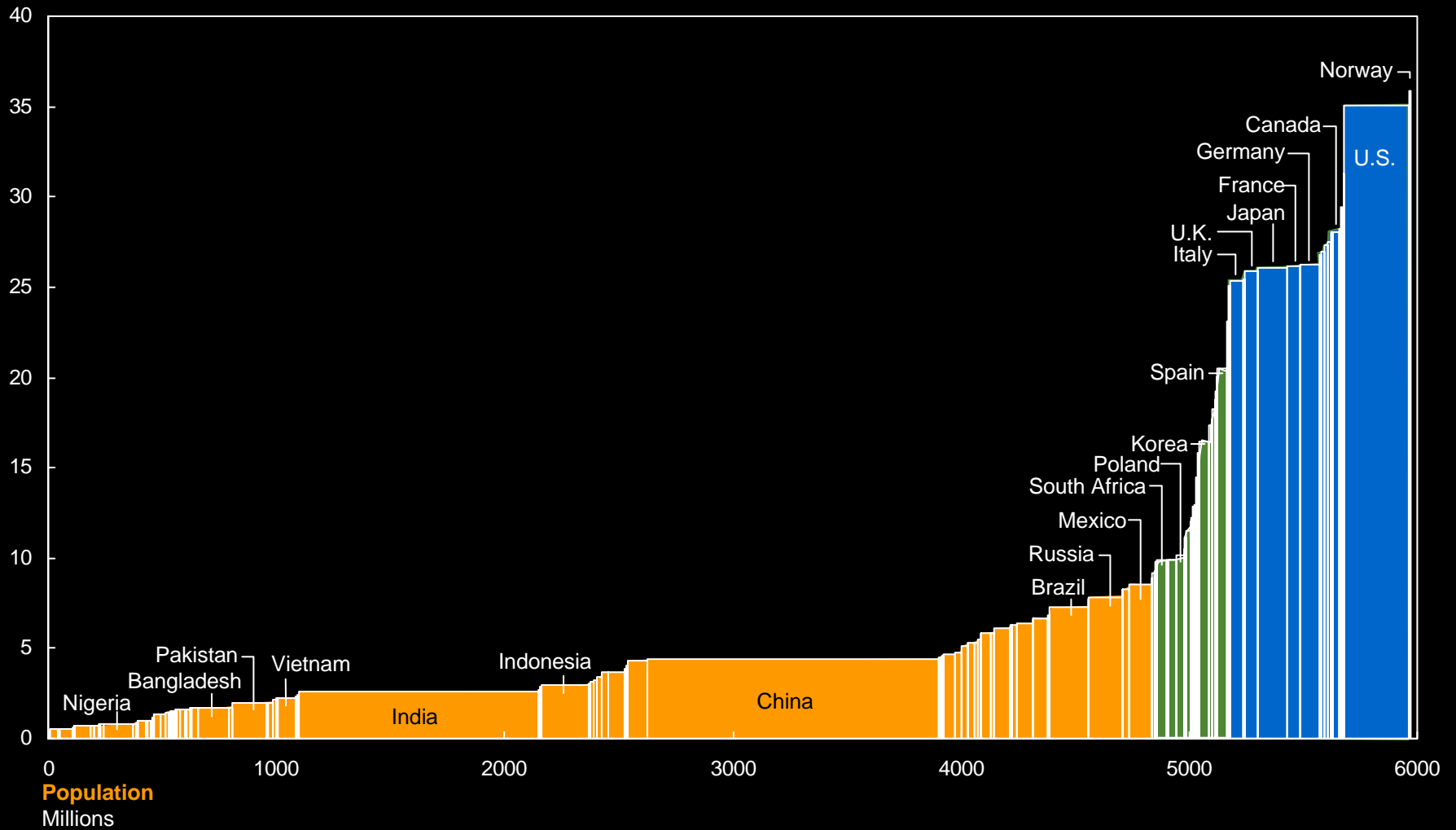
# WORLD DISTRIBUTION OF PER CAPITA GDP BY COUNTRY

U.S. Dollars, at PPP

- High income countries
- Middle income countries
- Low income countries

GDP per capita, 2002

U.S. 2002 \$ thousands

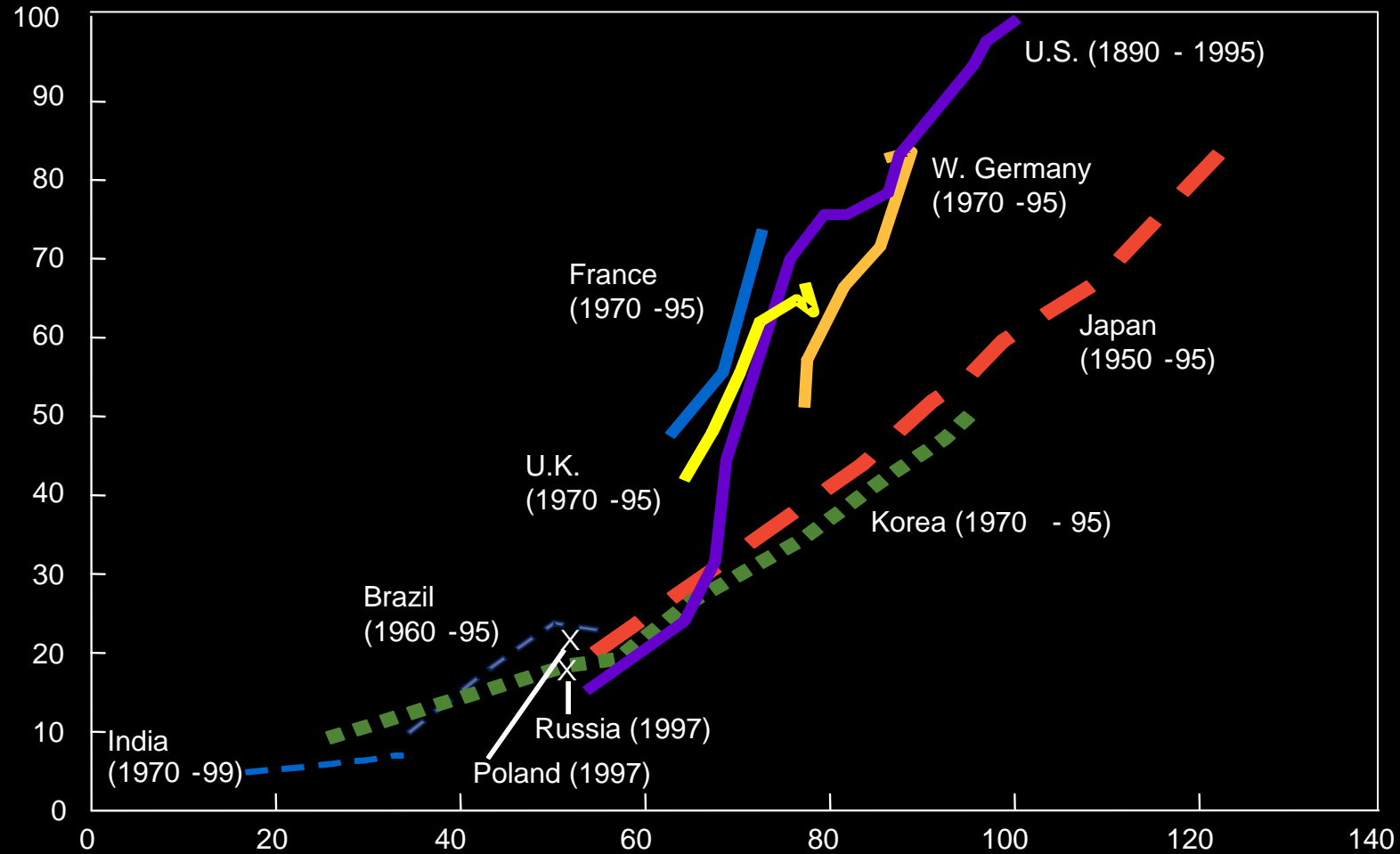


# ECONOMIC DEVELOPMENT PATHS

Percent U.S. 1995 level

**GDP per capita**

Percent



**Total labor and capital inputs per capita**

GDP per capita

=

Employment  
Capita

x

Labor productivity

- Skill level of personnel
- Organization of functions and tasks, marketing and other operational factors

- Capital and technology
- Scale and capacity utilization

## CONCLUSIONS

- **Sector level analysis is necessary to find causal factors of economic performance**
- **Education is not as immediately important as most people think**
- **Distortions in competition in product markets are more important than labor or capital market problems**
- **Today's big governments in poor countries are a handicap today's rich countries did not have when they were poor**
- **Consumers are the only political force that can stand up to producer interests, big government, and the technocratic, political, business, and intellectual elites**

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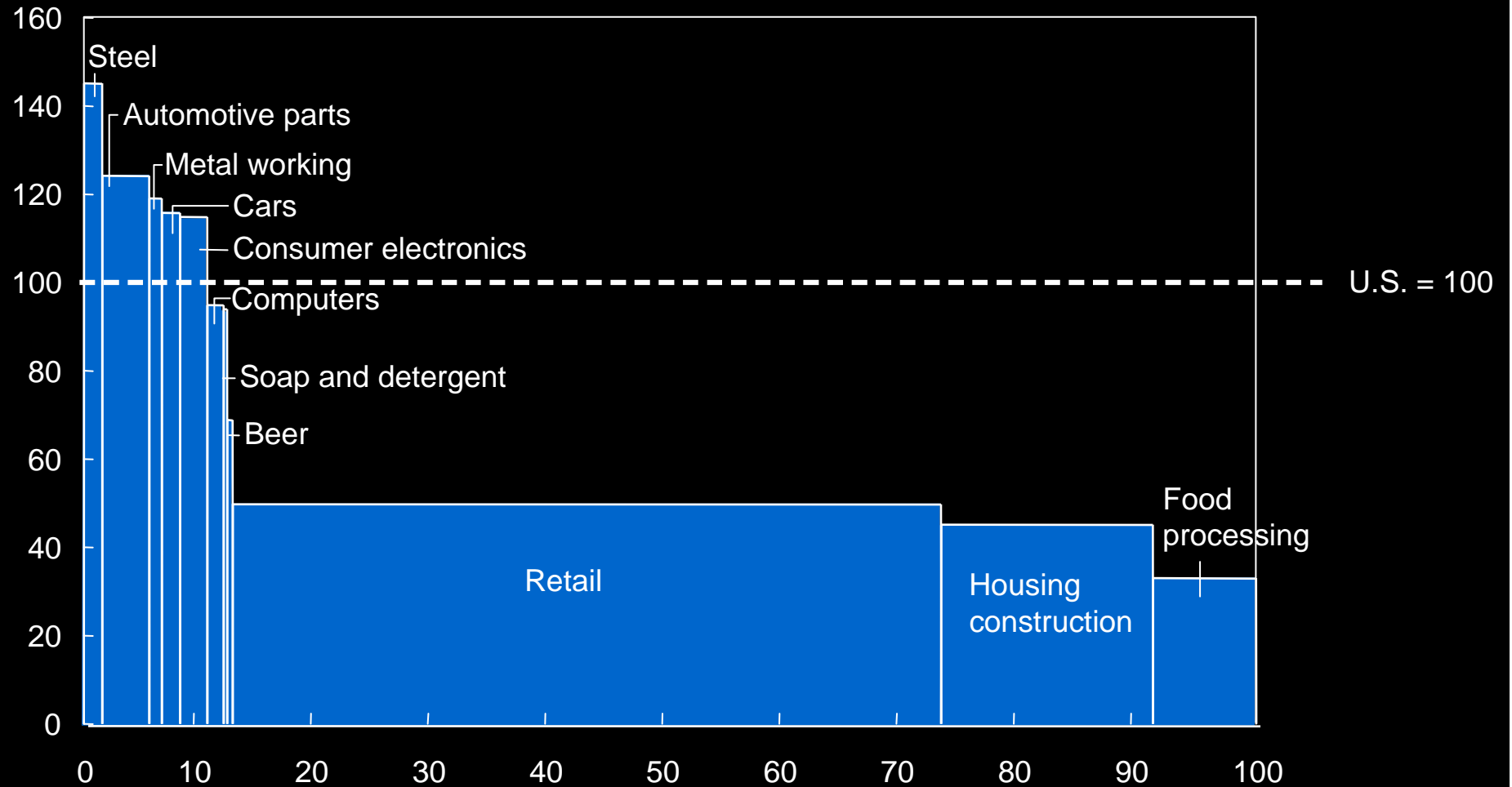
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# DUAL ECONOMY IN JAPAN

11 Industries

## Relative productivity levels

Index U.S. = 100



## Employment

100% = 12.473 million employees

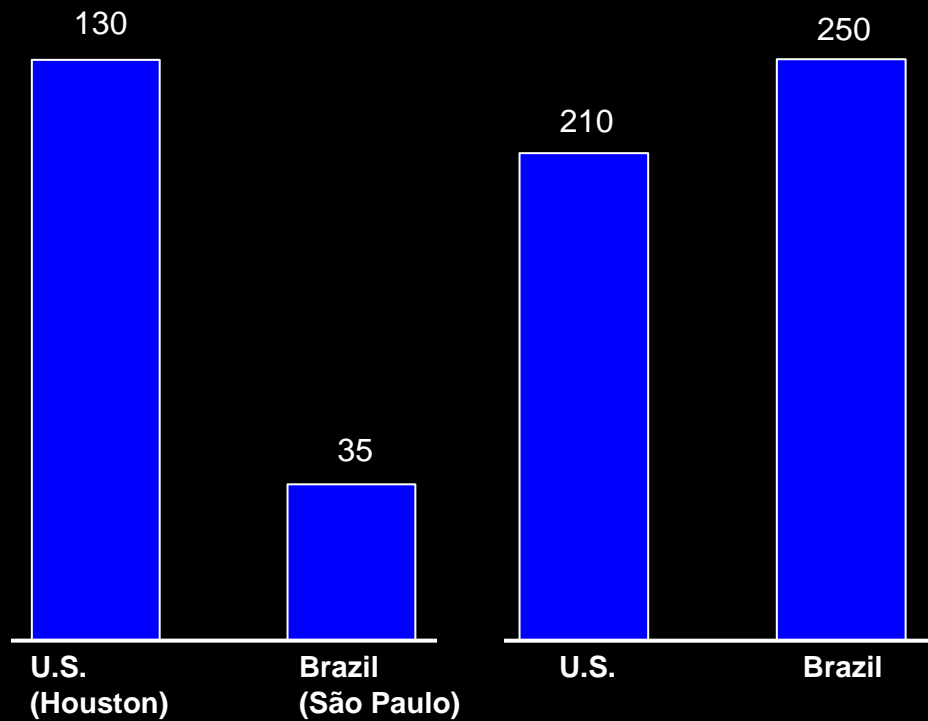
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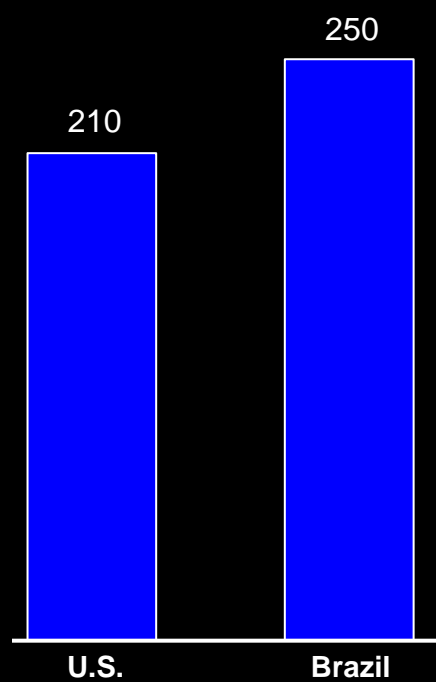


# BLUE COLLAR TRAINABILITY – CONSTRUCTION OF SUBSIDIZED HOUSING

**Labor productivity**  
M<sup>2</sup>/thousand hours



**Construction cost**  
U.S.\$/M<sup>2</sup>



**Organization of labor**

	U.S.	Brazil	Brazilian gap
Subcontractors	40	10	• Less specialized

**Blue collar background**

Mexican agriculture

Brazilian northeast agriculture

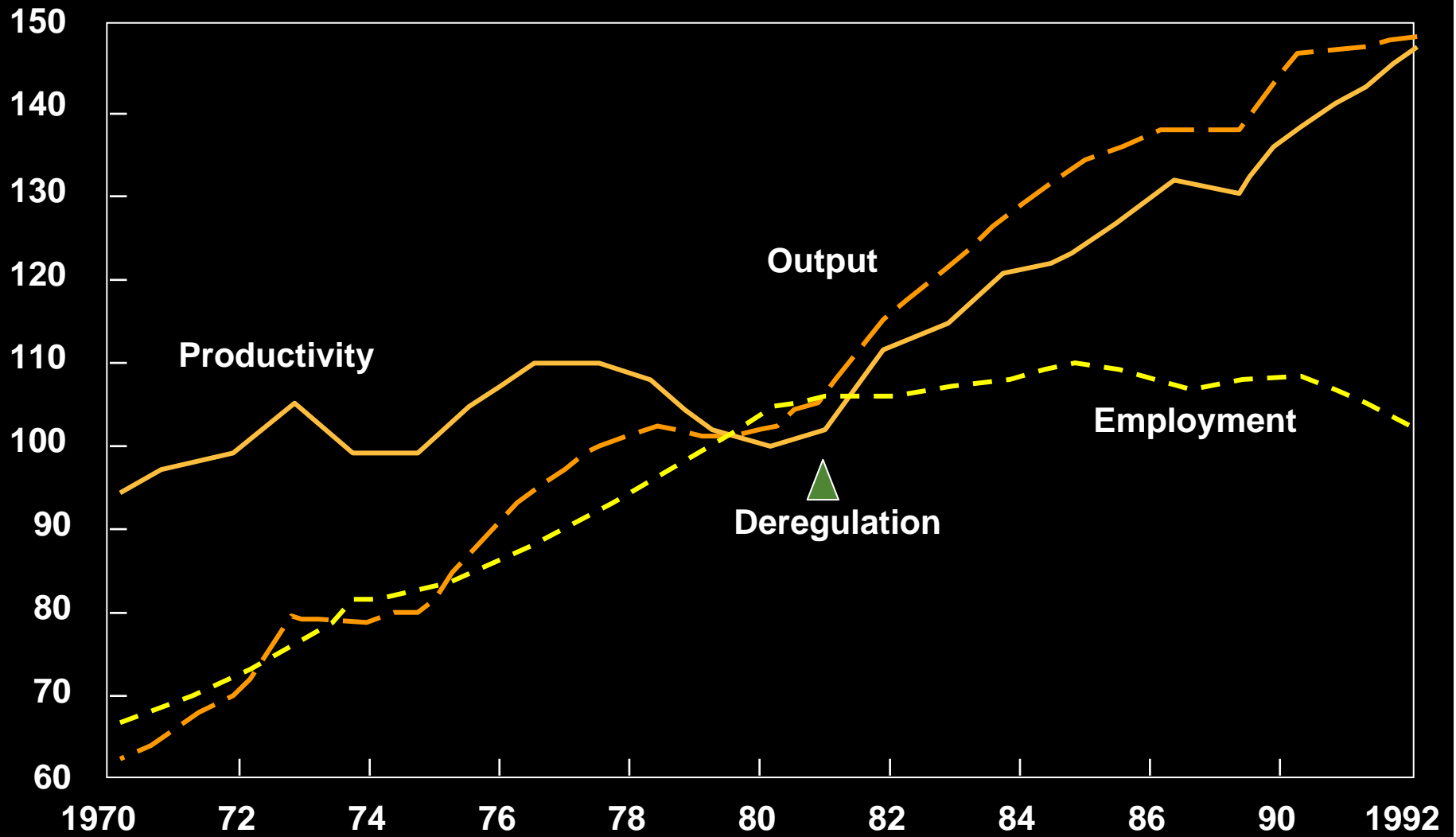
• Similar educational background

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# LABOR PRODUCTIVITY, OUTPUT, AND EMPLOYMENT IN U.S. COMMERCIAL BANKS

Indexed to 1980 = 100



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# GOVERNMENT SPENDING VS. GDP PER CAPITA

## Government spending

As percent of GDP

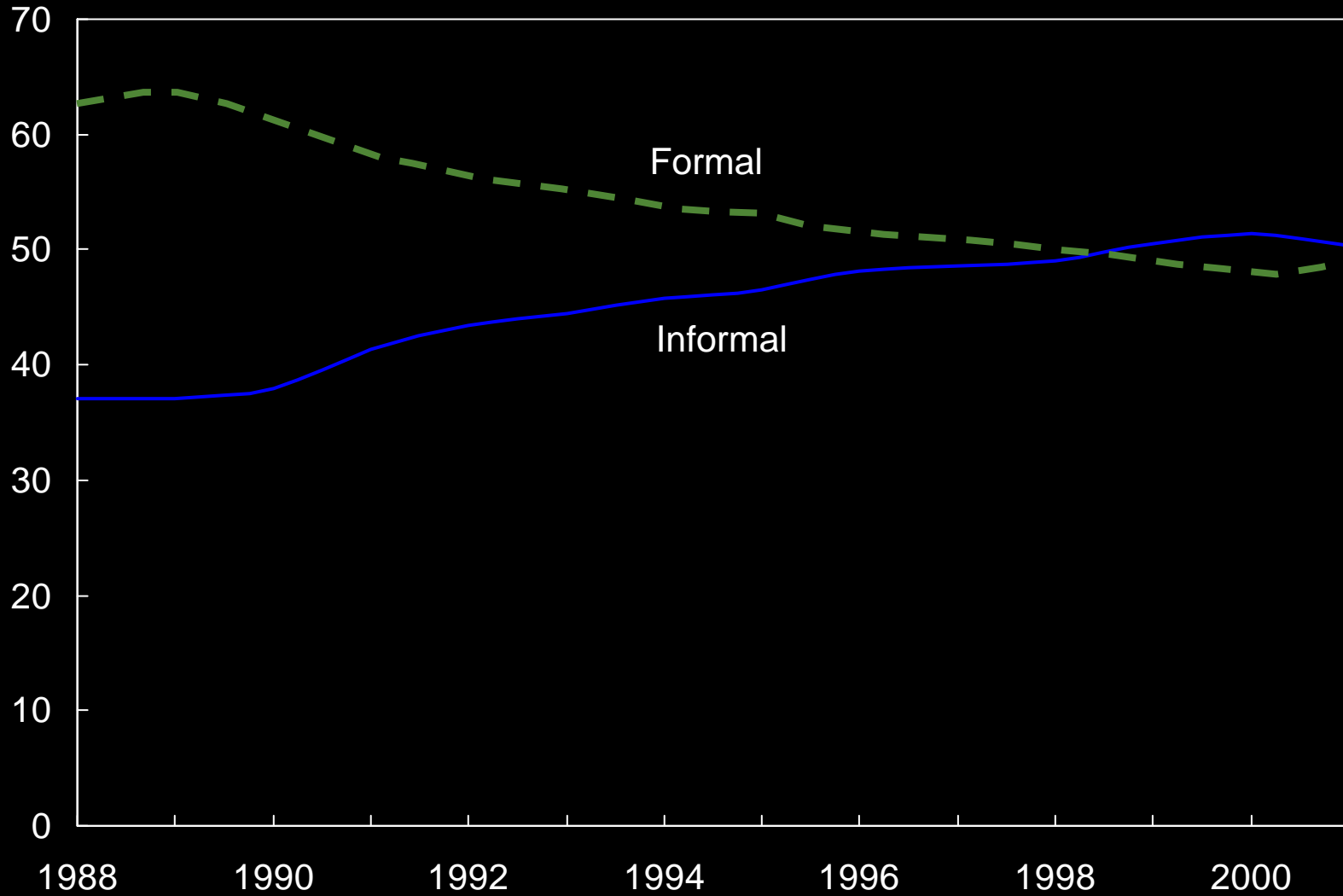


## GDP per capita

1990 U.S.\$

# INFORMALITY IN BRAZIL

Percent urban employment



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- If poor countries take care of their productivity problems, they will get the needed capital
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- Today's big governments in poor countries are a handicap today's rich countries did not have when they were poor

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## 5. Consumers have political clout

### US Consumer advocacy



**1906, Senator Robert La Follette**

“The welfare of all the people as consumers should be the supreme consideration of the government.”



**1914, Walter Lippman**

“We hear a great deal about the class-consciousness of labour. My own observation is that in America today consumers’ consciousness is growing very much faster.”



**1932, President Franklin Roosevelt**

“I believe that we are at the threshold of a fundamental change in our popular economic thought; in the future, we’re going to think less about the producer and more about the consumer.”



**1960, John F. Kennedy**

“The consumer is the only man in our economy without a high-powered lobbyist. I intend to be that lobbyist.”