

# Productivity Is in the Basement: We Need a Real Recovery!

By Nancy Spannaus

Nov. 11, 2018—In its quarterly [release](#) Nov. 1, the U.S. Bureau of Labor Statistics (BLS) threw a wet blanket on those who have been claiming that this year's job growth has led to a qualitative improvement in the U.S. economy. The BLS stated that productivity growth between the third quarter of 2017, and the third quarter of 2018, has been only 1.3%. For manufacturing *per se*, it grew at a negative rate.

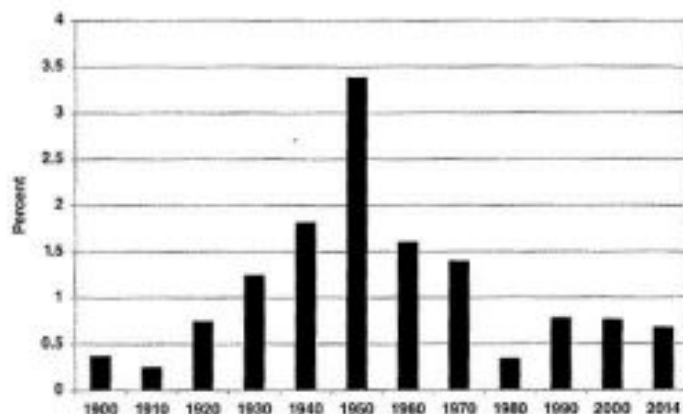


Figure 16-5. 10-Year Average Annual Growth in Total Factor Productivity, 1900-2014

Note: The average annual growth rate is over the ten years prior to year shown. The bar labelled 2014 shows the average annual growth rate for 2001-14.

Total Factor Productivity by Decade.  
The collapse has not been reversed.

For comparison, note that the rate of productivity growth in the U.S. economy between 1930 and 1950, according to U.S. government statistics, was nearly double that amount.

The picture will likely worsen when the BLS is able to calculate Multi-Factor Productivity (MFP) rates for 2018.

Unlike simple productivity, measured by output over labor, Multi-Factor Productivity (also called Total-Factor Productivity) measures increases in efficiency caused by less tangible features of the economy, such as the systemic application of new technologies and the upgrading of infrastructure—**neither of which have occurred in the U.S. economy for years, and are not occurring now.** BLS [calculations](#) of MFP for 2017 measured it at less than one percent.

In other words, despite a significant and positive uptick in job creation in manufacturing sector over the past year, the crucial need for a total productivity increase is not being met. Without that increase, it is impossible for the economy to produce the kinds of surpluses that can be used to eliminate poverty, uplift living conditions overall for today's and future generations, and even sustain the current increase in jobs.

So we should stop congratulating ourselves for a low unemployment rate. We should be increasing productivity by massively upgrading our infrastructure, and funding a crash program of research and development of new technologies like fusion power. To do this will require a new source of Federal funding, the model for which is most readily available in the administration of Franklin Roosevelt. (It should be obvious that such action will have to be combined with cleaning up the speculative banking system by re-imposing Glass-Steagall standards.)

### **What created the “Golden Age” of Productivity**

According to the National Bureau of Economic Research, the [“golden age”](#) of productivity in the U.S. economy occurred in the 1930s. Over that decade, total factor productivity increased at an annual rate of 3.3% (“Sources of TFP Growth in the Golden Age,” National Bureau of Economics Research, 2005).

The NBER attributes this rate of growth under FDR as “due to

the very strong growth in electric power generation and distribution, transportation, communications, civil and structural engineering for bridges, tunnels, dams, highways, railroads, and transmission system: and private research and development." That is, basic economic infrastructure and technological innovation.



TVA linemen install electricity in the Valley. (TVA)

It is an outrage, as well as a drag on productivity, that the infrastructure built in the FDR era is to a large extent the same infrastructure we rely on today! Just look at the age and condition of our water and sewer systems, parks, libraries, and other public buildings, hydro-electric dams, and locks. It was under FDR that rural America was electrified. The rail network of the 1930s and '40s has only shrunk since that time, and seen very little qualitative improvement.

As FDR's administration embarked on the mobilization for World War II, the pace of inputs to improve Multi-Factor Productivity picked up considerably. They included everything from harnessing hydroelectric power, to transformations in airplane engines, to the rate of exodus of labor from low productivity farm work to employment in a higher productivity

industrial plants.

As Stuart Rosenblatt put it in his recent [study](#) of the World War II mobilization:

*New technologies embody new creative breakthroughs. They are either elaborations of existing technologies, or whole new categories of technology, i.e. the change from plowing a field with a mule, to the use of a tractor. A higher level is the breakthrough into a new scientific discovery. The scientific achievement of understanding the functioning of the atom and harnessing it in the form of nuclear power exemplified such a breakthrough. This was accomplished as a “crash program” within the larger “crash program” of mobilizing to win WWII. This was a model for how future such breakthroughs, be they in space travel or achieving nuclear fusion, may be accomplished.*

Economic historian Robert Gordon has [argued](#) that FDR’s war mobilization produced MFP growth far surpassing that of the 1930s, although the latter depended upon the achievements of that decade. Measuring sheer output (forgetting that much was consumed in the course of combat), MFP was the highest in U.S. history during the 1941-45 period. Even accounting for military utilization, MFP in the domestic and industrial economy was the highest ever during this period, averaging at least 3.5% per year for the war period .

### **A Qualitative Leap**

Who can seriously believe that the United States has “the best economy ever” (as President Trump has claimed)? One glaring refutation is the collapsed state of transportation and water infrastructure. The rate of capital investment is abysmal; the poverty rate is intractable, and doesn’t even factor in the fact that tens of millions of Americans live paycheck to paycheck, on the edge. The state of the current and potential workforce is even more alarming, as shown most dramatically in

the increases of “deaths of despair” like the opioid overdose rate and suicides.



Maglev technology would bring a qualitative leap in U.S. productivity.

What’s needed is a dramatic shift, a bold initiative to rebuild our transportation, water, and power infrastructure on a new technological level. The nation’s workforce, especially its youth, will have to be inspired, and trained, to master the challenge of new technologies. As in the mobilization to put a man on the Moon, or to win World War II, Americans will pull together to achieve a transformation in the economy that raises everyone’s living standards, and optimism for building the future.

For a current proposal for how to fund such a shift, click [here](#).

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