Productivity Jumps 3.1 Percent

Professor and Nobel Prize-winning economist Paul Krugman said, “Productivity isn’t everything, but in the long-run it’s almost everything.” Economic growth is essential for everyone: individuals, businesses, and governments. When it comes to growth there are two key components necessary to make it happen, workforce and productivity expansion. An expanding workforce is a byproduct of population enlargement. Productivity growth stems from capital investment into research and development, innovation and enhanced knowledge. Productivity is define as, “the efficiency with which firms convert inputs such as labor, capital, and materials into outputs.” Robust productivity growth increases standards of living for individuals, profitability for corporations, and taxes for governments. A generation ago this article would have been written on a typewriter, without an accompanying chart. It would have taken me much longer to type it, because of the errors that I’d make missing the keys. This is an example of productivity. Productivity improvements utilize time more efficiently, in turn, empowering enterprising individuals and companies to leverage the time gained. Since 1987, the average productivity rate has been about 1.9%. Productivity for the third quarter jumped to annualized 3.1 percentage rate, its best in two years. Let’s just hope the trend continues; if in fact it does, everyone benefits.

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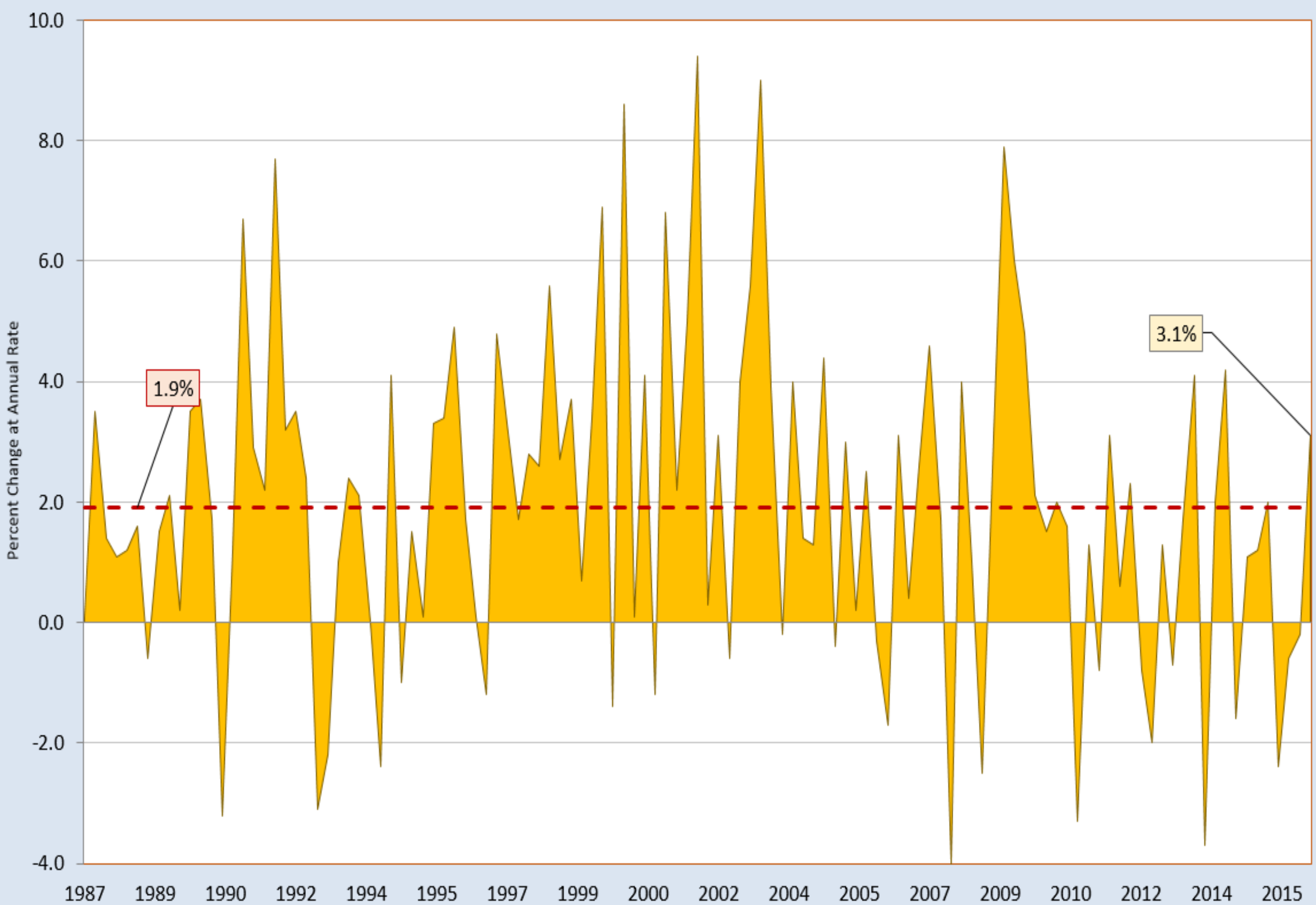

Source: US. Bureau of Labor Statistics/FRED