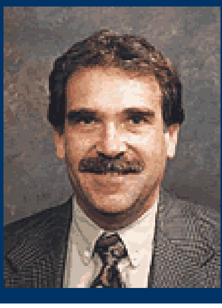
Articles & Commentaries

p-Watch — USA



by Michael Manson, long and closely associated with the APO when he was the Assistant Director of the East-West Center's Institute of Economic Development and Politics in Honolulu. He helped to initiate a number of collaboration programs between the APO and the East-West Center. Manson also served in the Asian Development Bank, and was Director of Communications with the State of Hawaii's Department of Business, Economic Development and Tourism. He is presently an educator, and a regular contributor to this column.

PRODUCTIVITY: A STARLET'S UNREVEALING NATURE

Bespectacled economists and itinerant development experts perhaps never imagined the day that their profession would fall under the heading of "sexy." Barry Bosworth of the Brookings Institution has done just that, however, declaring, "Productivity is a sexy topic." One can only imagine the excitement or maybe the embarrassment at the APO to be involved in activities labeled as such. Humor aside, productivity is in the limelight as never before, and Americans follow the "productivity debate" as if their well being depended on it, and it does.

After reading a flood of articles on how productivity is the key ingredient to maintaining the current economic good times, Americans are beginning to understand the connection of the value of their stock portfolio and their job security to the ability of the American worker to improve productivity rates. With prosperity at stake, productivity has gained nation-wide attention.

It is small comfort to the citizenry that productivity growth continues to impress the economists. Second quarter productivity was an eye-catching 5.7 percent. Growth slowed in the third quarter to 3.3 percent, but for the year productivity is expected to challenge 4 percent. Productivity is increasing at the fastest pace in 17 years. Such numbers should comfort even the weak-hearted investor, but when you look over productivity's shoulder, you find a very tight labor market, declining capital investment, falling manufacturing output, a tattered stock market, and a slew of Internet company bankruptcies. This led to the recent surprise reduction in the Fed interest rate of one percent in a single month (February), something that has not happened in 20 years. The euphoria of this turn of events was short-lived. If the patient needed this potent an elixir, something must really be wrong.

All attention is now on the medicinal potency of continued productivity increases. Greenspan knew people would have this in mind so he calmed pulses by stating, "There is little evidence to suggest that longer-term advances in technology and associated gains in productivity are abating." Productivity has moved from the back pages of the American business reports to become America's most watched star performer. The interest is not academic. Americans are now educating themselves in the intricacies of productivity. Life has been good and if Americans owe that to productivity, they should know what it is and how to keep it alive and well. It is disconcerting, therefore, for the average wage earner to learn from the experts that productivity remains a mystery to many.

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First, there are those economic existentialists who need to ask, "What is productivity, anyway?" One scholar defines productivity as the "measure of our ignorance about the causes of economic growth in the United States." There are strong suspicions productivity is tied to technology investment. A recent Harvard study confirms that computers and technology have increased productivity, but the researcher remains uncertain in what industries the growth occurred. A Michigan University professor has reservations about our ability to understand productivity saying productivity measurements are not satisfying because they do not explain what is driving productivity. Demystifying productivity, now that it is in the limelight, is high on America's research agenda. The U.S. lags other countries in the public's appreciation of the value of productivity. Americans have taken wealth creation for granted over the past decade.

Perhaps there is just too much pressure on productivity. That the nation looks to enhanced productivity to save personal wealth accumulated over the past decade is understandable. Economic writers have heightened our awareness of productivity's miracle growth and are now pointing to productivity as the only bright spot in a weakening economy. It reminds one of the old football cheer, "If productivity can't do it, no one can." Of course there is productivity's handmaiden- technology investment-that by one account has added one and three-quarter percentage points to productivity growth. American business spent about 31 percent of its capital budget on technology hardware and software in 1998. This is likely to drop in a slow economy further limiting productivity growth. The more optimistic economists expect productivity growth to continue after a slight burp to expel the excesses of over-inflated stock prices. Others are less sanguine noting prosperity is not forever although it certainly was fun while it lasted.

Admittedly, there was a surreal dimension to the New Economy that should have tipped many of us off that the past two years were indeed exceptional. There were clues that normal boundaries were being tested. Take, for instance, job titles as catalogued by Fast Company in Boston- the job trainer whose nameplate read Minister of Enlightenment; the marketing director who was titled Chief Evangelist; or the human resource director who was designated Director of Hiring, Morale & Culture; and the receptionist who was Director of First Impressions. Some of the excesses spilled over into generational conflict. As reported by the Los Angeles Times, a 43 year-old chief executive of a metropolitan technical alliance group questioned the management team of a once thriving dot-com as, "Who are these snot-faced, body-pierced, spittle-laden boys passing as men?" Even failure was glorified when dot-coms were created to track the failures of other dot-coms, and contests and prizes were given out if you could predict the demise of a struggling Internet company.

Despite the excesses, the impact and contribution of the technology vanguard with its youthful and innovative nature has been crucial to moving the economy forward. No doubt the Old Economy is enjoying the corrective nature of the present downturn of the dot-coms. The Chief Executive Officer of an established technology company tells us there is no New Economy and refers to tech startups as "fireflies before the storm" and as "dot-toast." But all businesses have benefited from the innovative pressures of these startups. There may be an element of sour grapes among "blue-blood" companies, but all business is undeniably a part of the New Economy. It is either that or become "dot.toast."

Eventually there will be a genial joining of hands of old and new with technology providing the glue to make the match seamless. The one mistake would be to forgo a continuing investment in technology. Further study will bear out the fact that productivity, despite its elusive nature, is certain to require a nurturing technological environment to make its magic felt throughout the economy.

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