



# productivity matters

When one of your toes pokes through a sock, or your elbow wears away your sleeve, do you:

- a) reach for a sewing kit?
- or
- b) grab your wallet and head for a clothing store?

For most of us, this is an easy one. Why fumble with a needle and thread when good quality clothing is so inexpensive?

Wait! Did someone say *inexpensive*?

Well... yes.

The price tags on our clothes may be higher than they used to be, but the amount we

## PERSONAL CONSUMPTION EXPENDITURES

1929 versus 1999

*Selected Categories, Percent of Total*

|                     | 1929 | 1999 |
|---------------------|------|------|
| Food                | 27.4 | 15.4 |
| Clothing            | 14.5 | 6.3  |
| Housing             | 15.1 | 14.5 |
| Household operation | 13.8 | 10.8 |
| Medical care        | 4.0  | 17.6 |
| Transportation      | 9.9  | 11.4 |
| Recreation          | 5.7  | 8.4  |

Source: U.S. Census Bureau.  
*Statistical Abstract of the United States, 1999*, Table 1424.  
*Statistical Abstract of the United States, 2002*, Table 639.

spend on clothing accounts for a much smaller share of our total spending. In fact, the three essentials of life — food, clothing, and shelter — each claim a smaller share of our personal

consumption expenditures today than they did in the past.

Even in categories that claim a larger share — transportation, recreation, and medical care — you could make the case that we're getting more for our money. Our cars are better-equipped, our forms of recreation are more varied, and the quality of our medical care is considerably better than it was 100 — or even 20 — years ago.

But perhaps the most striking difference between past and present is that we now expend far less time and effort to clothe

and feed ourselves — two tasks that were once the primary focus of life for most Americans. Take the example of Julia Baker Kellog, an upstate New York farm wife, who made the following entry in her diary on November 1, 1883:

*“Went to Olmsteadville. Sold 60 pairs of socks. Got lots of things.”*

Left unsaid was the fact that those 60 pairs of socks represented her entire output for the fall season (<http://adirondackhistory.org>).

By contrast, production levels at a 21st century American sock factory often reach 2500 pairs of socks per *worker per week*. Or to look at it another way, one person working at home in 1883 produced approximately seven pairs of socks per week, whereas one person working as part of a team in a modern factory now produces 2500 pairs in the same period of time.

Farm production numbers tell a similar story. In 1800, 73.7 percent of the American labor force worked in agriculture — three out of four workers toiled to meet just two basic human needs: food and fiber.

Two hundred years later, only 2.3 percent of the labor force still worked in agriculture, yet we were producing more food than ever — and we were producing it far more efficiently.

And therein lies the key to our improved standard of living. If there's one thing most economists agree on, it's this: Improvements in our material standard of living depend on increases in productivity.

Sounds simple enough. But if we had to

## YIELD PER ACRE

(bushels/rounded to nearest bushel)

|       | 1800 | 1900 | 2000 |
|-------|------|------|------|
| Wheat | 15   | 14   | 40   |
| Corn  | 25   | 16   | 138  |

Source: *Historical Statistics of the United States*, U.S. Census Bureau, and U.S. Department of Agriculture.

## WORKER-HOURS REQUIRED TO PRODUCE 100 BUSHELS

|       | 1800 | 1900 | 2000   |
|-------|------|------|--------|
| Wheat | 373  | 108  | 3 to 5 |
| Corn  | 344  | 147  | 3      |

Source: *Historical Statistics of the United States*, U.S. Census Bureau, and U.S. Department of Agriculture.

explain it to a friend, many of us would be hard-pressed to say exactly why productivity has an impact on how well we live. In fact, we might even have trouble explaining what productivity is.

Which is why this issue of *The Ledger* will focus on productivity — what it is and why it matters.

