

# The Power of Macroeconomics

## Lecture Seven: Economic Growth & Productivity



- Presented By:
- Professor Peter Navarro
- University of California-Irvine

## The Daily Financial Press News

- Stock prices
- Job numbers
- Trade statistics



**A Perennial Wall Street Worry**  
**Will the Federal Reserve hike interest rates?**

## In The Long Run, Economies Grow

- Productivity rises with the amount of capital and technological change.

### Key Definition

1. Living standards, measured by output per capita or consumption per household, are primarily determined by the level of productivity and growth of a country.

## In This Lecture

- Examine the process of economic growth.
- Understand the critical role productivity plays.
- Gain insights into how and why government policies play a critical role in the growth process.



# The Process of Economic Growth

## A Key Definition

1. Economic growth represents the expansion of a country's potential GDP or national output.
2. The growth rate of output per person determines the rate at which the country's standard of living is rising.

# What's the Recipe for Economic Growth?

- **Britain:** A world leader in the 1800s by pioneering the Industrial Revolution.
- **Japan:** A powerhouse in the 1980s by imitating foreign technologies and protecting domestic industries.





## All Nations Ride on the Four Wheels

- All rapidly growing countries share common traits.

### Key Point

The engine of economic growth must ride on the same four wheels, no matter how rich or poor the country.

## The Four Wheels of Growth

- **Human resources:** labor, education, discipline, motivation.
- **Natural resources:** Land, minerals, fuels, environment.
- **Capital formation:** Machines, factories, roads.
- **Technology:** Science, engineering, management, entrepreneurship.