

## Macro Roundup Article

**Headline:** [Bottlenecks: Sectoral Imbalances and the US Productivity Slowdown](#)

**Article Link:** <https://www.nber.org/papers/w31427>

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**Summary:** The foundational idea of our approach is that innovation in any one industry relies on complementary innovations in—and subsequent productivity gains from—its input and idea suppliers. Our framework yields a simple estimating equation that links growth in sectoral TFP to both the average TFP and the dispersion (variance) of TFP among that sector's inputs. We estimate this equation using 462 manufacturing industries between 1977 and 2007, and also for the entire US economy between 1987 and 2007 by combining our manufacturing data with 42 non-manufacturing industries. Our estimates indicate that greater dispersion of TFP growth among an industry's suppliers exerts a powerful negative influence on its own growth opportunities. At face value, our evidence implies that the bulk of the productivity slowdown in the United States (and several other industrialized economies) can be explained by the sizable increase in the cross-industry variance of TFP growth and innovation. Related: [The Productivity Slowdown in Advanced Economies: Common Shocks or Common Trends?](#) and [The Economics of Inequality in High-Wage Economies](#)

**Primary Topic:** Institutional Capabilities

**Topics:** Academic paper, GDP, Growth, Institutional Capabilities, Productivity

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