

Productivity and Structural Reform: Why Countries Succeed & Fail, and What Should Be Done So Failing Countries Succeed

by Ray Dalio

In this report the drivers of productivity are shown and are used to create an economic health index. That index shows how 20 major countries are doing as measured by 19 economic health gauges made up of 81 indicators, and it shows what these gauges portend for real GDP growth in each of these countries over the next 10 years. As you will see, past predictions based on this process have been highly reliable. For this reason this economic health index provides both a reliable prognosis for each of these country's growth rates over the next 10 years and a reliable formula for success. By looking at these cause-effect relationships in much the same way as a doctor looks at one's genetics, blood tests and regimes for exercise and diet, we can both see each country's health prospects and know what changes each can make so that these countries can become economically healthier.

We are making this research available in the hope that it will facilitate the very important discussions about structural reforms that are now going on and will help both the public and policy makers to look past their ideological differences to see the economy as a machine in much the same way as doctors see bodies as a machine and look at the relationships of cholesterol and heart attacks analytically rather than ideologically.

The Template

This study is presented in three parts:

- In Part 1, "The Formula For Economic Success," we show how indicators of countries' productivity and indebtedness would have predicted their subsequent 10-year growth rates going back 70 years, and how these economic health indicators can be used to both predict and shape the long-term economic health of countries. By knowing the linkages between a) indicators of productivity such as the costs of educated people, the amount of bureaucracy in the government, the amount of corruption in the system, how much people value working relative to enjoying life, etc., and b) the subsequent 10-year economic outcomes, policy makers can decide how to change these determinants to affect long-term outcomes.
- In Part 2, "Economic Health Indices by Country, and the Prognoses That They Imply," we show each of the 20 countries' economic health indices by component and aggregated, and how these lead to the projected growth over the next 10 years. In this section you can see a synthesis for each country based on an objective review of each of the indicators and their relative importance. Because our understanding has been completely systematized, there is no qualitative judgment used in describing these estimates. In fact, the texts have been computer generated.
- In Part 3, "The Rises and Declines of Economies Over the Last 500 Years," we look at how different countries' shares of the world economy have changed over the last 500 years and why these changes have occurred.