

## Policies for Productivity Growth

Growth, investment and trade are the outcomes of the processes by which people with ideas start firms. But where does the productive capacity of firms come from? What are the barriers that prevent resources to flow to the firms with the greatest potential? Why is it that not all people that possess entrepreneurial talent choose to start firms? This paper reviews the micro forces that matter for aggregate productivity growth focusing on six issues: costs to reallocating labour and capital, the influence of firm ownership and political connections, informality, the allocation of talent across the economy, barriers to internal trade and the working of housing markets. It concludes that the forces are complex but matter tremendously for macro productivity and addressing them requires a wide combination of policies.

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