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How Can We Improve Productivity

First-Place Winner

Lynn Bolt

In the past the American economy has been a system in which all people benefited from hard work and ingenuity. In 1607 the first permanent American colony was established in Virginia. At the start the government prohibited private ownership of land which, according to different accounts, discouraged incentive. It discouraged incentives to such a degree, in fact, that one of its early leaders, John Smith, laid down an edict: "He that will not work will not eat." The government soon realized that the colony could not prosper without incentives and adopted a policy whereby settlers could possess land. This change, according to John Rolfe, husband of Pocahontas, gave the Virginians "all great content," for because they owned their land "they are prepared to make the colony and should also be expected to share responsibilities.

Another influential factor in increasing human resourcefulness is the communication between management and labor. To best use the ingenuity of the working American, it is necessary that the working class be free to express their ideas to the management. The employees of a business should feel free and even encouraged to submit innovative ideas to the employer. Open communication between the employer and employee is vital in the effort to enhance productivity.

Technical advancement is another primary factor that needs to be increased for productivity improvement. These technical advances include invention, production, and marketing of new products as well as development and improvement of existing products. They include all areas of the market, such as manufacturing, service, and transportation.

The ability of the United States to create and expand technical capability is probably unmatched by any other nation. Despite this fact, the technical leadership of the United States is being challenged. Research programs are being cut back or even eliminated. As long as the cuts are temporary and some quality programs remain, no problem will evolve. But if such cuts become permanent, the impact on the United States economy would be devastating. The United States must continue to develop higher technology through a great amount of research.

Another problem involved with technology is the fact that the United States is developing an inability to put advanced technology to work. The reason for this is directly related to the regulations imposed by the government. Investment decisions on growing advancements are generally negative because of the uncertainty of future government regulations. Businesspeople are forced to deal with the question of what policies will be in effect by the time the improvements are ready for use.

An additional reason for recent drops in technical advances is the lack of capital investment. With the Federal Reserve reducing the percentage increase in the money supply, it becomes a necessity for people to save money. A lack of money in the pool causes interest rates to soar and discourages businesses to invest in improvements and expansion. Yet for the American consumer there is no incentive to save money. The basic philosophy today seems to be "spend what I have now for tomorrow it will be worth even less." Because government regulations hold interest rates well below the inflation rate and the government taxes all but the first hundred dollars of interest "income," people follow their inflation thinking philosophy.

There are some things that can and should be done to encourage saving. The most important step the government could take would be to eliminate or greatly reduce taxes on interest and dividend "income." To further increase productivity, it will be necessary to allow businesses faster depreciation write-offs. This would give business an incentive to spend on improved facilities and put some innovative ideas into action.

The problem with reducing taxes to a significant point will be the loss of money to the government; therefore, large cuts in
government spending will be necessary. Huge deficits must become a thing of the past.

Government regulations have been mentioned throughout this paper as problems to the investor and the businessman, but to get a clear picture it is necessary to emphasize this area alone. Approximately $100 billion is spent each year to meet government regulations. Clean air, clean water, and safety regulations force industries to spend a great deal on non-productive equipment. Critics state that the most harmful effects from government regulations stem from inconsistency. The risks created by inconsistent regulations pose a big question mark in the minds of many potential investors.

A widespread effort to revise regulations would lead to productivity improvement. Areas to consider are: eliminating overlapping regulations, reducing inconsistent rules and forming uniform standards, and nullifying rules which are no longer useful.

The three areas discussed in this paper are only the beginning. Much more can be done to help America's slumping productivity. It seems that a change in basic attitudes is what is most needed—an emphasis on hard work for one's own success and an attitude of saving. This attitude must be applied to individuals, businesses, and government to put the American economy back on its feet. Because there was incentive in the early Virginian colony, it survived and eventually flourished. Incentives have been an important factor in making America what it is today. The nature of man today is no different from the man of early Virginia. Thus, if America is to continue to be the productive nation that it has always been, there must be incentives to work, to invest, and to be innovative.

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Sources:
Amway message to stimulate public dialogue.
Special Report, Newsweek, September 8, 1980.

Second-Place Winner

John Oosterhouse

Over the years, America has become the greatest industrial nation in the world. We have vast natural resources and greater riches than any other country. However, lately the picture has blurred and for the past decade Americans have watched the purchasing power of the dollar dwindle. Many jobs have been lost and industrial plants which once prospered are now closing down. America is still the wealthiest nation, but there is a definite downward trend. The decline in American productivity threatens to destroy our economy's ability to gain wealth, while foreign competition continues to invade our market.

The problem of the decline in productivity is a very complicated one and cannot be solved without much effort. The classic definition of productivity is the number of hours required for a worker to turn out a fixed volume of a product. Today, however, many outside factors contribute to make production more expensive. Among these are increased energy costs and availability of capital. Although these problems are experienced all over, U.S. productivity is falling greater than most.

The basic causes of the decline in American productivity are: government regulations which cost industry billions extra, not enough research into new technology, not enough savings or investments in new equipment, short-sighted management, and decline in the American work ethic. Another possible cause is the poor relations between business, labor, and government. Tied in with all of these is the problem of inflation.

The problem of government regulations looms large. During the past years, government has passed many regulations concerning clean air, clean water, safety, and protection of land, which in turn force industry to invest in non-productive equipment. Regulations are also frequently changed, meaning more costs for industry. If government would cut down on some regulations which are unnecessary and stabilize the others, this problem would be much less severe.

Conducting research into new methods and technology has also declined. The cause of this is that businesses are overtaxed to a point where research is too expensive. Business must be given tax breaks so that they may invest in research or we will be far behind the foreign competition in gaining sales in the market.

The problem of not enough savings or investment is a result of government regulation and inflation. The personal savings rate in America is only about 4 or 5 percent whereas in Japan it ranges around 20 percent. Businesses must get a tax break in order to be able to afford new equipment and other investments. Inflation has caused people to feel that they must buy now before prices go higher; therefore, they do not save nearly as much.

Short-sighted management has an effect on productivity also. The auto industry is a prime example. It continued to build large cars when gas prices went through the roof. If management will take a long-term look at the economy, productivity will tend to rise. Management must not set goals according to monthly, quarterly...
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terly, or yearly figures, but over a period of years.

The increase in the size of the labor force and changing attitudes also contributes to decline in productivity. The worker today has deviated from the traditional work ethic to the belief that one has it made in America and doesn't have to work as hard. Management should give workers more incentives to do a good job and take steps to raise employee morale. Giving employees a more substantial voice in decision making might be an effective way to make them work more productively.

The opposition between business, labor, and government is unhealthy to productivity. Business charges that labor is demanding too much money for what it does, while labor insists that it is not being dealt with fairly while business hauls in profits. Government is not liked by either side because it harms everyone with its taxes. A relationship like this is never good and is probably another cause of the decline in productivity. Business, labor, and government must come together for the benefit of all involved.

The part which inflation plays to decrease productivity is that it makes the availability of money scarce. Because of high prices, no one can afford to save money or invest in new equipment and technology. The cure of inflation is by no means simple, but it must begin with a cut in government spending and size.

Some of the new emphasis on productivity originates from the increasing number of foreign products on the market and the inability of American manufacturers to deal with it. Americans must become more competitive overseas and thereby narrow the trade deficits which have widened substantially recently.

Still, the main cause of the decrease in productivity must be the role that the government has played. Government must reduce its size and restore incentives to business. Government must decrease taxes and raise deductions for investment so that business may perform research to keep up with other nations. Another responsibility government has is to stabilize its regulatory structure and cut out many unnecessary regulations.

The responsibility of management to increase productivity is to plan for the future. Long-term goals must be set rather than goals to be met each quarter.

Finally, the American worker must increase his efforts of work and also save a greater percentage of his earnings. This will increase productivity and help to keep enough money available to invest in new businesses.

If all of these responsibilities are carried out, the productivity in the United States will increase to levels of the past and perhaps greater. If so, the United States may remain the richest nation in the world.

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Taxation Program to Offer Six Seminars

Associate Professor James Sanford, Director of the Master of Science in Taxation Program, has announced that the M.S.T. Program will sponsor the following seminars:

Oil and Gas Tax Law . . . . . Wed., Nov. 4
Pre-Retirement Estate Planning .......... Tues., Nov. 10
Charitable Giving . . . . . . Wed., Nov. 11
(1 Co-Sponsor—Michigan National Bank)
Pension and Profit Sharing Plans . . . . . . . . . Tues., Dec. 1
Tax Planning for Executives and Professionals . . . Mon., Dec. 7

Taxation seminars are offered by the M.S.T. Program to meet the continuing educational needs of tax professionals and to educate west Michigan residents on various tax planning opportunities. For instance, the seminars on “Pre-Retirement Estate Planning,” “Charitable Giving,” and “Tax Planning for Executives and Professionals” are designed for individuals with no tax training.

All speakers for the seminars contribute their time to help raise money for the Master of Science in Taxation Program. All money earned will be used for tax library support and other M.S.T. Program activities.

Donald Alexander, former Internal Revenue Service Commissioner and tax partner in the Washington, D.C., law firm of Morgen, Lewis & Bockius, will be the featured luncheon speaker on Wednesday, December 2. He will comment on the 1981 tax legislation.

To receive a brochure detailing the tax seminars, call Dr. Sanford’s office at 456-6277.

Polish Professors at Seidman On Exchange Program

Four instructors from the Academy of Economics in Krakow, Poland, are serving as visiting lecturers at Seidman College this semester as part of an exchange program between Grand Valley and the Academy.

The instructors are working on individual academic research projects and learning about the American economic system during their stay in west Michigan. Their educational activities include visits to a variety of business organizations in the area and attendance at meetings of The Economic Club of Grand Rapids, at which noted economists speak.

The four lecturers are specializing in areas ranging from planning and philosophy to economics and statistics.

Statistician Stanislaw Kot is studying modeling processes in the development of the science of statistics. Karol Kukla, whose field is econometrics and statistics, is researching methods of operations research and economic structures.

Zygmunt Nowak, a specialist in planning and economic policy, is studying the functioning of tourist regions and agricultural policy in regional systems.

Philosopher Czeslaw Porebski is collecting data for a book on the possibility of applying formal methods in analyzing classical notions of ethics.

Since Grand Valley has been involved in the exchange program with Poland in 1977, 21 Polish instructors and 49 Grand Valley people (41 students, six faculty members, plus President Lubbers and Seidman College Dean Marvin DeVries) have participated in the exchange.