

Quantification of the Contributions of Productivity Growth and Globalization to World Consumption Growth Rates (1995-2008)

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Over the past decades, per capita consumption levels of consumption levels have gone up in the world. Labor productivity growth is potentially the most important sources of these increases, but it is unclear what role international trade has played. Furthermore, the measurement of productivity growth has been blurred by the prominent role of trade in intermediate inputs. Offshoring a low-productivity activity within an industry might show up as productivity gains in an industry, while it is in fact trade that expands the production possibilities set. To shed more light on this issue we propose to compute “global value chain labor productivity growth” and show some indicators for 1995-2008 on the basis of the recently constructed World Input-Output Database (WIOD). Next, we formulate a simple accounting framework to show how changes in global value chain labor productivity, trade in final products, and changes in consumption and investment patterns contributed to growth in world consumption per worker.