

Objective of the paper

Find an explanation for the productivity puzzle

Productivity puzzle: Why has productivity growth decreased over the past decades?

Explanations in the literature

- Inadequate savings in “high-tech” equipment
- over investment in computers
- over investment in health care
- inferior management of firms
- over investment in environmental quality
- over regulation
- reduced labor quality
- inadequate R & D

Contribution of the paper

It may only be an accounting problem

In particular:

internal supply vs. external supply

outsourcing

vertical integration

Other explanations

Greenwood: Natural response to a technological revolution

Yorkuglu: Vintage capital model does just fine. Estimation does not take vintage into account

Aghion-Howitt: New General Purpose technology (GPT) adoption may in fact depress output for up to three decades.