



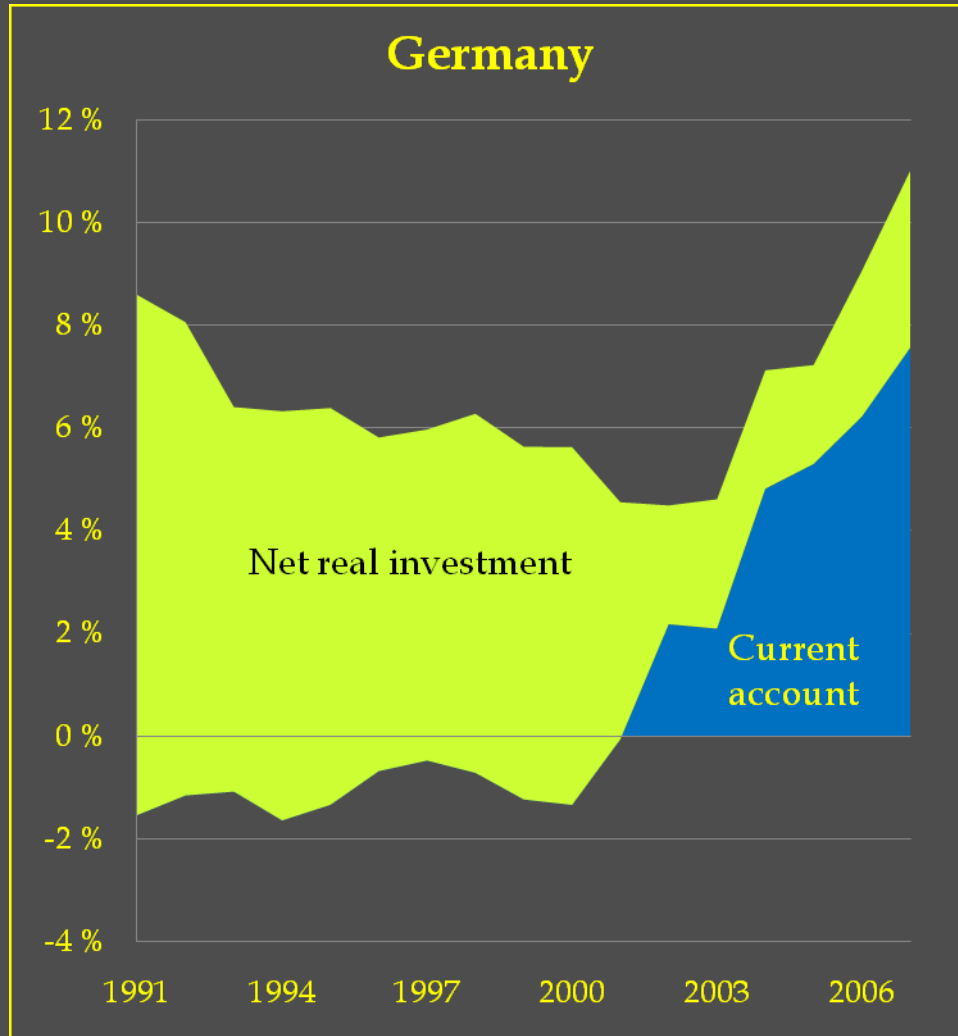
*Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker.*

Paul Krugman,  
The Age of Diminishing Expectations (1994)



## **WHO WILL SURVIVE THE CRISIS? – AND WHO SHOULD?**

**VDN, 26.2.09**

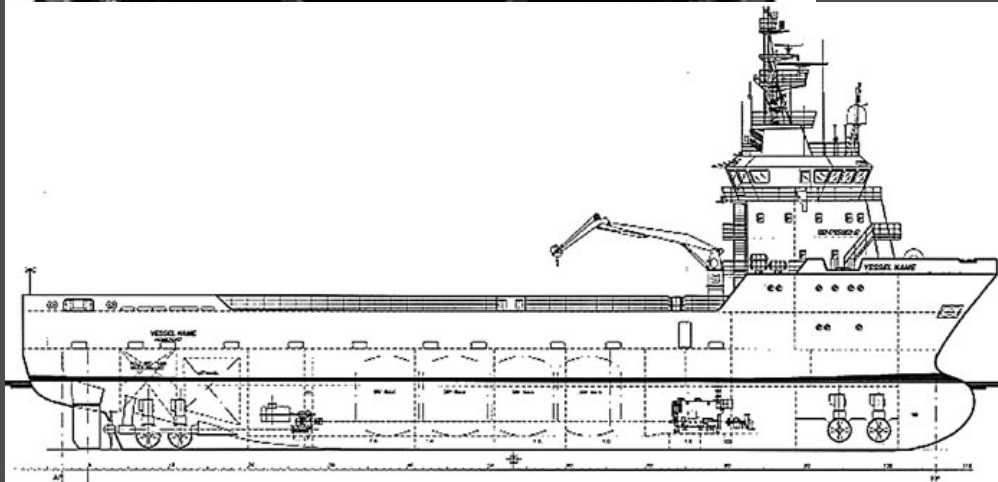


Unsuccessful OECD  
adjustment to  
globalization

Excess saving in  
China, Germany,  
Japan and the oil  
exporting countries

Mania and panic in  
housing and  
financial markets

# The problem



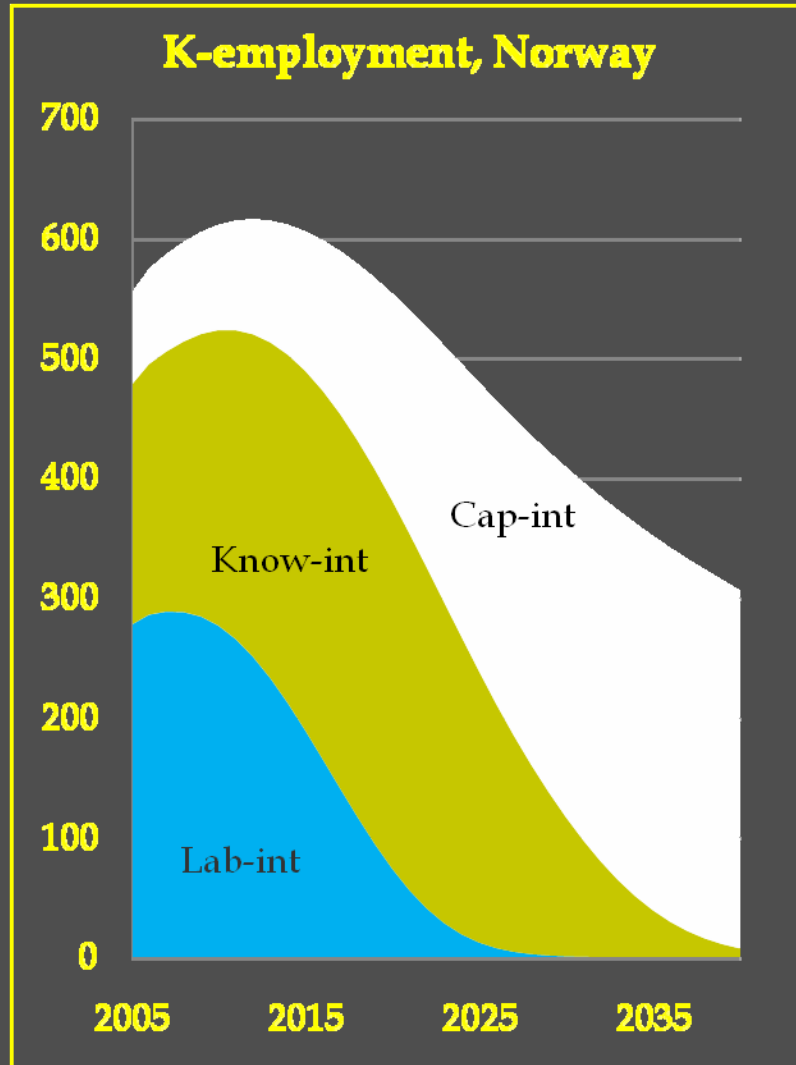
OECD-countries should  
have reallocated into  
knowledge-intensive  
production

*i.e. production that can employ  
large numbers of highly  
educated people productively*

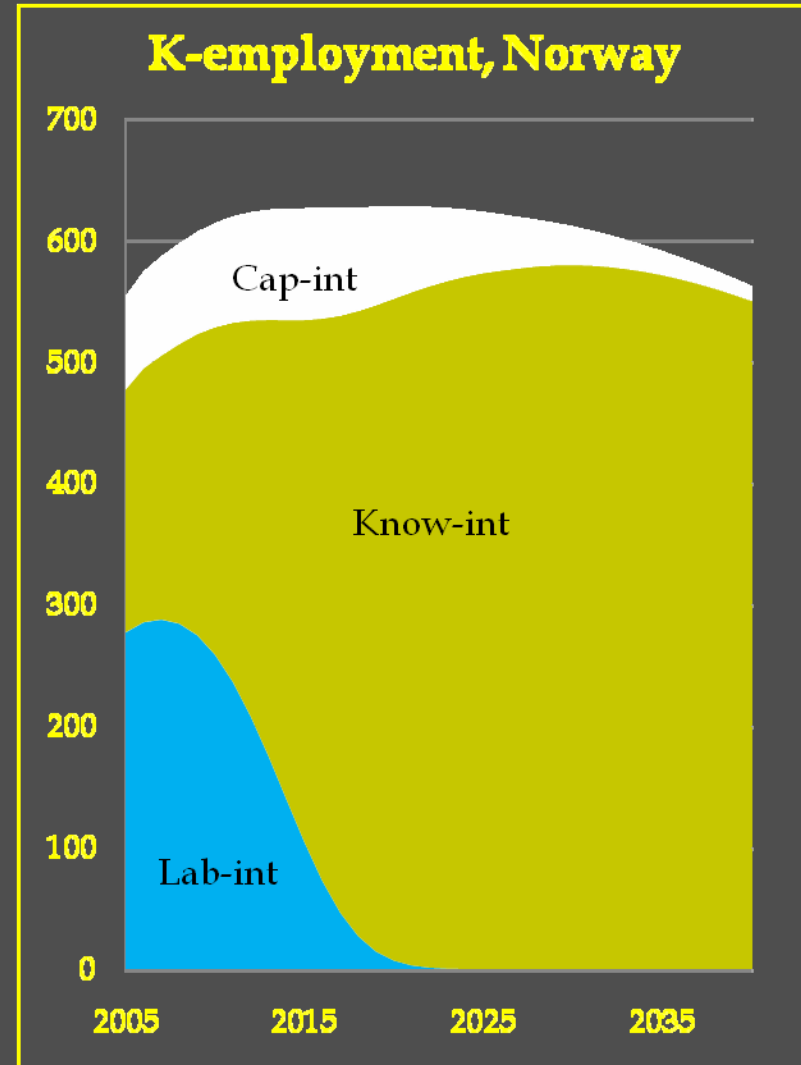
They have – but not  
sufficiently, and not  
rapidly enough



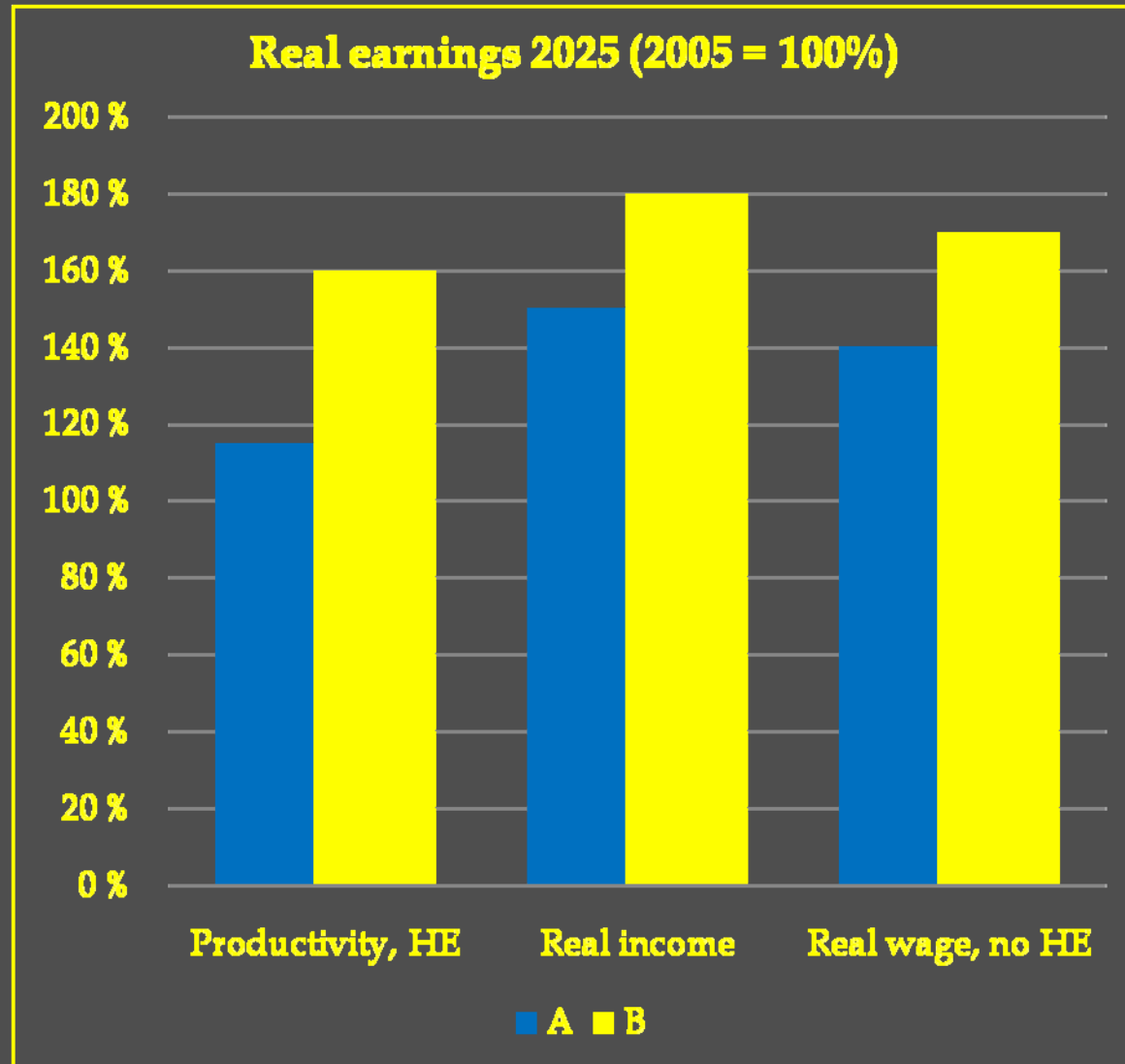
The human capital is largely in the public sector while reallocation in the private sector has been into...



A

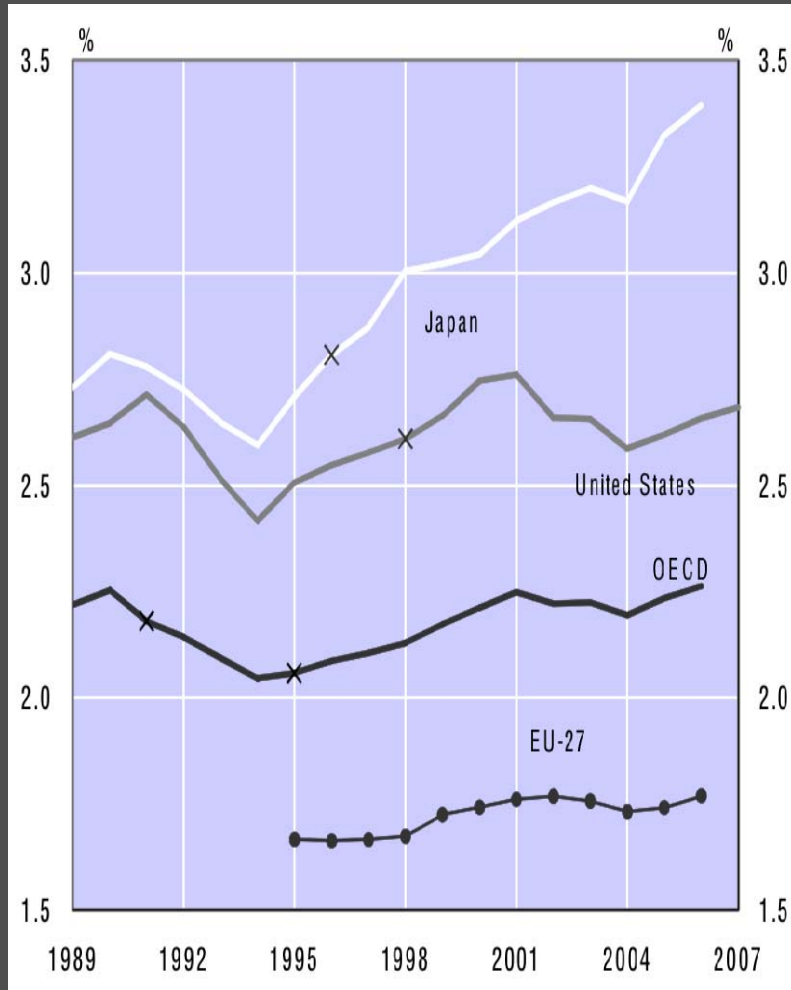


B



# What does it take?

R&D as share of GDP



## More knowledge

*To learn from the crisis  
To enable firms to use HE people  
productively*

## More state

*To ensure sufficient investment in  
the knowledge base*

## More market

*To prevent people from being stuck  
in dying industries*



NHH

## And once again...



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