a culture that values the dignity of each person, those dependent on public support will continue to have limited hope for better futures. “The ratio of hope to defeat in [Angie’s] life feels like it had shifted in a downward direction,” DeParle writes. “Yet, for all the turmoil and need around her, and all her pure exhaustion, she continues to mine her life for scraps of optimism and meaning” (338).

DeParle questions minimum wage rates, health care access, and even the current marriage promotion initiatives. To his credit, he argues for a fatherhood initiative (330). This indicates that he sees the positive connection of healthy families and declining welfare caseloads.

We suggest additional alternatives. Why is it that “work works” and moves “Opal look-alikes” in Denver’s Step 13 program (www.step13.org) to health and self-sufficiency, but the government mandated work system never helped Opal? Perhaps the issue is not “just work.”

The omission of private alternatives, besides a passing reference at the end of the book to a program that might help Opal, leaves a reader to assume that DeParle values public poverty solutions. Although he extends his Milwaukee investigations to current still-questionable performance, he does not include the myriad of smaller faith-based and community programs in the same city. He articulates well the challenges of welfare policy that struggles in the labyrinths of various bureaucracies. Interestingly, he refers to his continued contact with Angie, Jewell, and Opal, providing transportation, inquiring about their children or work; the trust he earned over the years in urban neighborhoods served him well for the substantive research for this book.

Would that DeParle’s research extended to neighborhood programs tutoring kids such as Jewell’s—holding them accountable for school and better choices, and standing in the gap for absent fathers. Perhaps an *American Dream* sequel will include these small, privately funded programs that are helping challenged, poor single moms and their children, one family at a time. This talented writer knows Milwaukee and, we suspect, knows many such programs. He is a poverty writer who has made a significant effort to “walk with” the poor; he might catch an even greater vision from people who “suffer with” the poor.

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The Power of Productivity: Wealth, Poverty, and the Threat to Global Stability

William W. Lewis

Chicago: University of Chicago Press, 2004 (312 pages)

Lewis, founding director of McKinsey Global Institute Associates, concludes that productivity is the fundamental engine of economic growth. Productivity determines living standards. Traditional growth models, dependent on the amounts of available capital and labor, fail to identify productivity impediments. These impeding factors prevent large industrial sectors from adopting "best practice" management, thus dooming masses to misery.

The McKinsey Institute's industry level productivity studies are presently available online. Drawing on this work, the author synthesizes and analyzes results. According to Lewis, differences in productivity in major industrial sectors, particularly those associated with consumers, are the key to understanding variations in living standards. The author examines high-tech, steel, and automobile sectors but stresses that productivity measures in the larger retail and construction sectors offer greater insight into economic well-being.

The basic statistical methodology in these studies is to take the monetary value of each sector's production divided by the number of labor hours (or capital) used in generating that output. Productivity is indexed for industries in each country compared with its counterpart in the United States. Each U.S. industry is given an index number of 100. Rather than using market exchange rates to convert monetary values, researchers employed purchasing power parity to make cross-country comparisons.

The greatest contribution of this book lies in developing the microeconomic underpinnings of macroeconomic growth. This idea is developed in individual chapters dealing with seven countries at different levels of development. Japan, Europe, and the United States represent richer countries, but, even in these countries, certain sectors fail to measure up. Japan exhibits unrivaled productivity in automobiles and electronics; however, productivity is severely distorted in its retailing and construction sectors. Lewis claims that no country at present comes close to getting health care right; however, he does provide some suggestions.

The author does not believe that Europe's social objectives are necessarily in conflict with economic productivity. Better policy could reduce Europe's high unemployment and replace distortionary measures directed at compressing relative incomes. Planning restrictions in the United Kingdom and special interests in France and Germany result in higher prices and lower services in their retail sectors. Global competition, in general, is recommended to advance European productivity.

Lewis points out that housing construction in the Netherlands and United States achieve high productivity because both countries align the responsibility for infrastructure with the same level of government authority to finance it. With the exception of automotive, steel, machine tools, and consumer electronics in Japan and retail banking in the Netherlands, U.S. productivity measures exceed other countries.

The most surprising finding is that productivity acceleration is not caused by technological innovation but is due rather to competition and managerial innovation. Wal-Mart may be a leader in the use of information technology but its success, Lewis claims, is due to competitive intensity and superior innovation. A consumer rather than a producer mentality enables Wal-Mart to bypass intermediate wholesalers and pass savings on to customers.

Korea stands out as the only country in the world to emerge in the twentieth century from the group of poor countries to become middle-income, with GDPs per capita between 25 and 70 percent of the United States' GDP. However, Koreans work 40 percent more hours than Americans and 20 percent more than the Japanese. Increases in the long run have to be viewed relative to the efforts made to generate them, i.e., productivity. The reason that Korea's POSCO enjoys one of the highest productivity levels of any integrated steel producer in the world is that General Park, chairman from 1968 to 1994, adopted best Japanese standards and benchmarked its operating performance against world best practices.

Lewis chooses Brazil, Russia, and India to represent low-income countries, and they serve to demonstrate one of the author's major hypotheses: Education and infrastructure are not binding constraints on all growth. Low productivity in these countries is often associated with insecure property rights and government owned or protected monopolies. In addition, subsidies, in the form of below cost utility prices for favored industries and differential taxes act to keep productivity low. The lack of a level playing field permits inefficient firms to endure and discourages the entry of domestic and international firms willing to provide capital and worldwide best practices. Consequently, informal or black market firms offer prices lower than prices in the formal sector, though not because they are more productive.

Lewis's nonideological observations are interesting. For example, he credits government intervention for the standardization of the Japanese machine tool industry and the requirement that IBM share its computer patents with local companies as a condition for entering the Japanese market. He shows how low property and inheritance taxes retard land transfers in Japan. He attributes to U.S. antitrust and reform laws the ending of abusive behavior by monopolies in the late nineteenth century and financial market excesses.

Parts of the book are repetitive. The reader may wish to start with chapter 9 and then backtrack to read country studies as relevant. This imperfection aside, the book is a must for policymakers and those responsible for international private direct investment. It supplements textbooks in development, area studies, and industrial organization as well as adds color.

This author agrees with the Washington Consensus for market reform, including privatization, low inflation, and fiscal responsibility. However, Lewis makes a contribution in showing that living standards in each country depend on average productivity. Lewis suggests that much training can and does take place in the workplace. Unlike those who say that poverty cannot be alleviated by other than long-term strategies such as educating the next generation, he maintains that productivity changes can be made quickly, if not easily. He does not advocate foreign government intervention to increase productivity. It can only be achieved by countries deciding to serve their consumers better.

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