



**Putting Consumers First:  
The 2006 Guglielmo Marconi Lecture**

**William W. Lewis  
Director Emeritus, McKinsey Global Institute  
Brussels, 04 December 2006**

# Consumers First

## The Remaining Difference Between Europe and the US

William W. Lewis

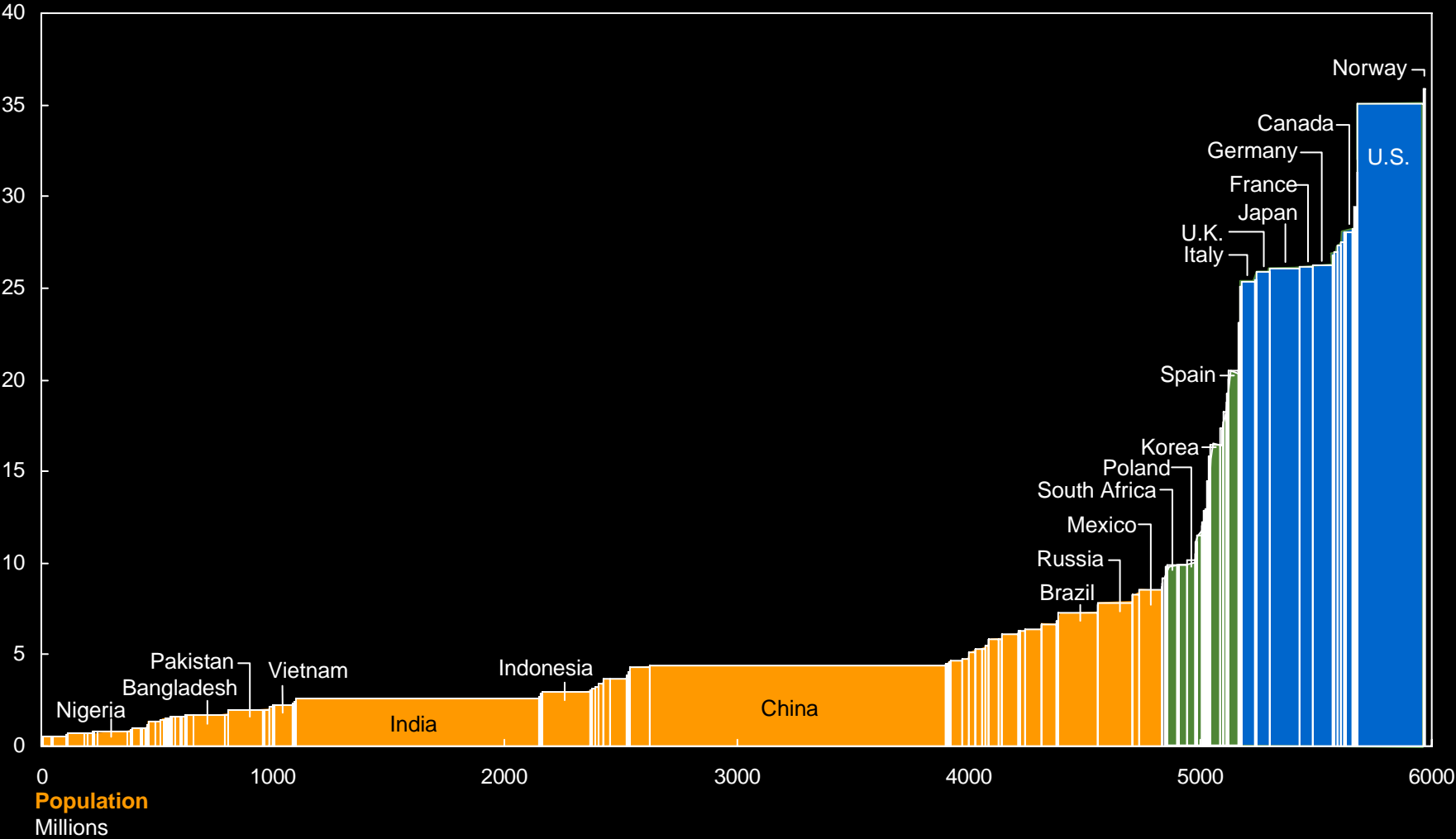
The Lisbon Council  
Brussels  
December 4, 2006

# WORLD DISTRIBUTION OF PER CAPITA GDP BY COUNTRY

U.S. Dollars, at PPP

- High income countries
- Middle income countries
- Low income countries

GDP per capita, 2002  
U.S. 2002 \$ thousands

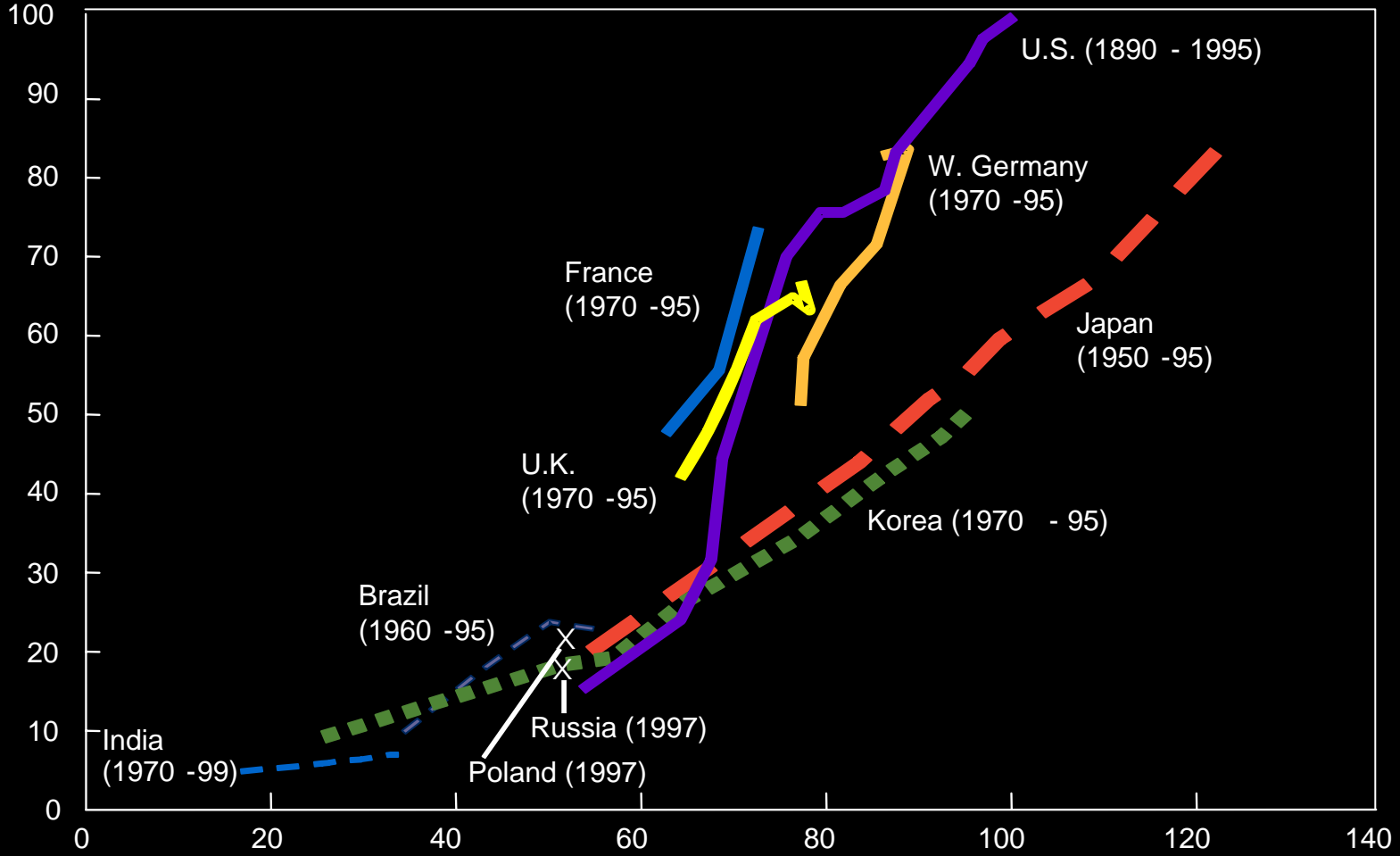


# ECONOMIC DEVELOPMENT PATHS

Percent U.S. 1995 level

**GDP per capita**

Percent



**Total labor and capital inputs per capita**

GDP per  
capita

=

Employment  
Capita

x

Labor  
productivity

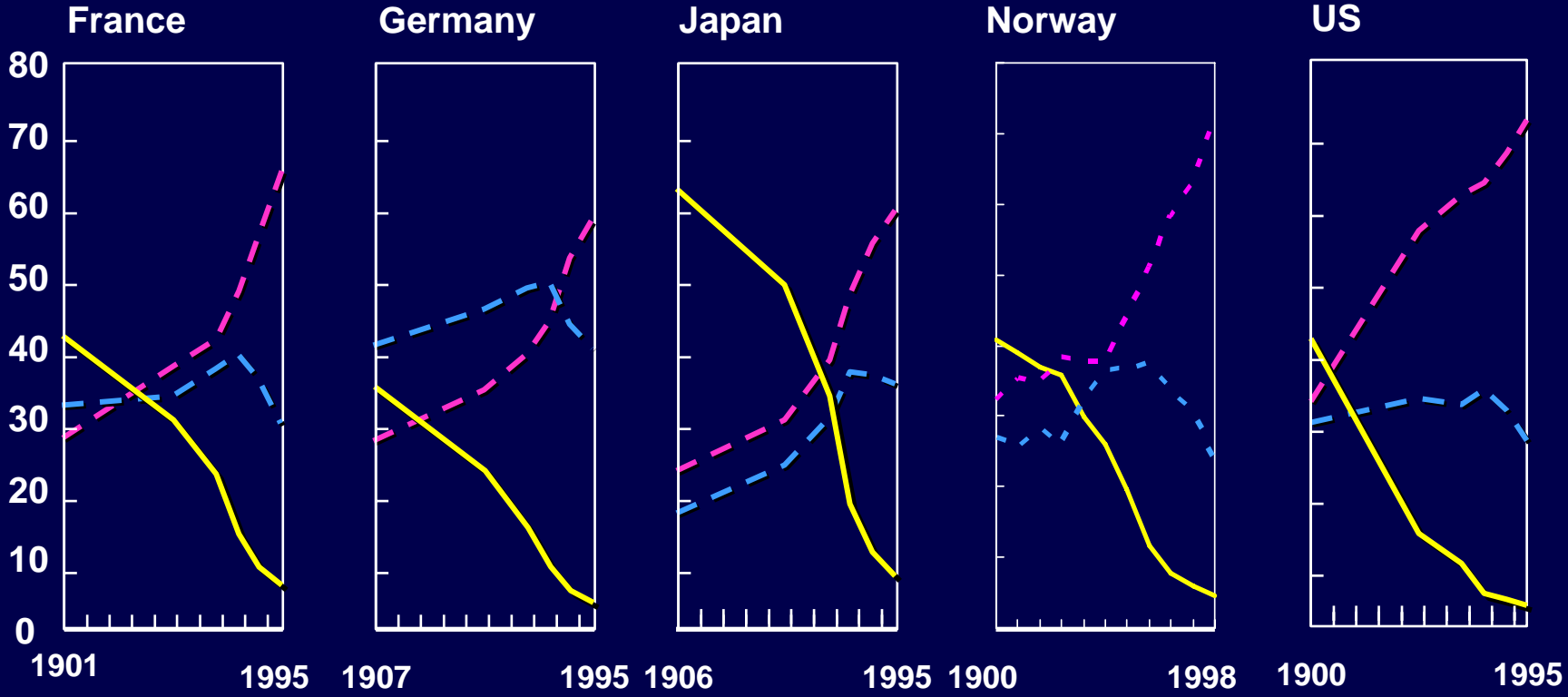
- Skill level of personnel
- Organization of functions and tasks, marketing and other operational factors

- Capital and technology
- Scale and capacity utilization

# HISTORIC SHARES OF EMPLOYMENT IN DIFFERENT SECTORS – 1900 - 1995

Percent of total employment

- Services
- Industry
- Agriculture



# CONCLUSIONS

- **Serving consumers' interests at the industry level is necessary for the highest economic performance**
- **Distortions in competition in product markets reduce productivity and hence consumer benefits**
- **Distorting markets to achieve social equity objectives is usually a bad idea**
- **Consumers are the only political force that can stand up to producer, labor, and political elites benefiting from market distortions**

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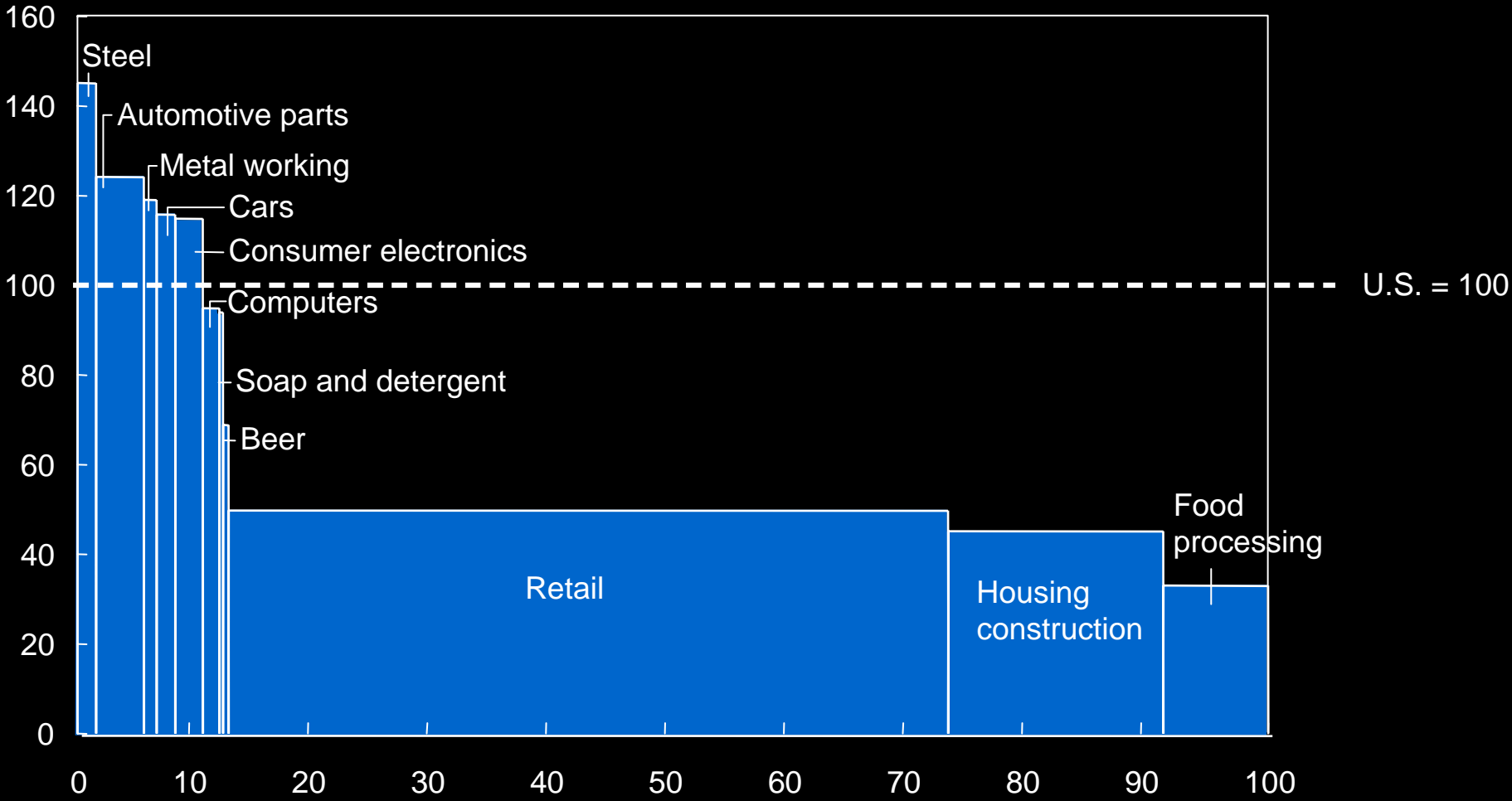


# DUAL ECONOMY IN JAPAN

11 Industries

## Relative productivity levels

Index U.S. = 100



## Employment

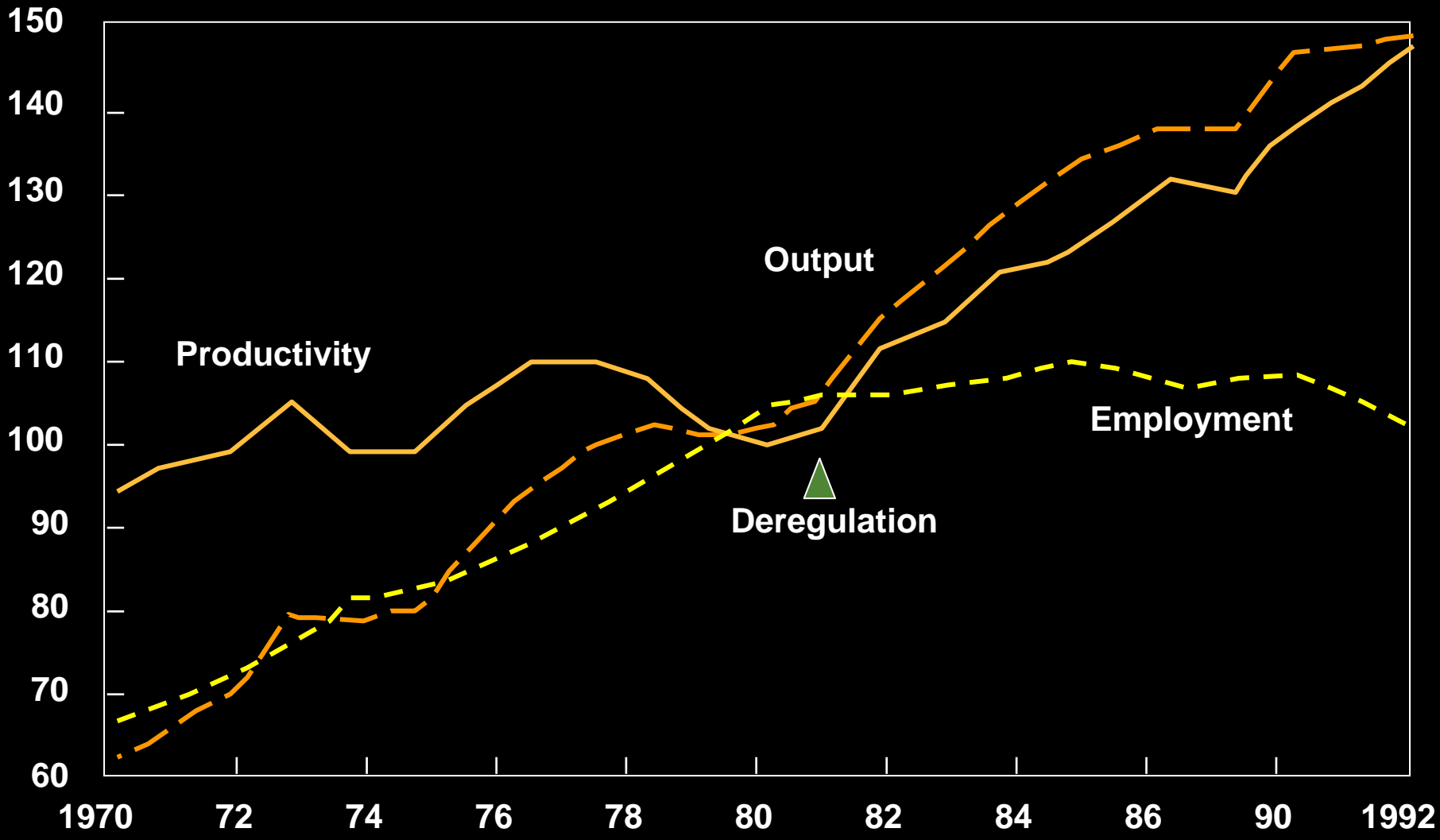
100% = 12.473 million employees

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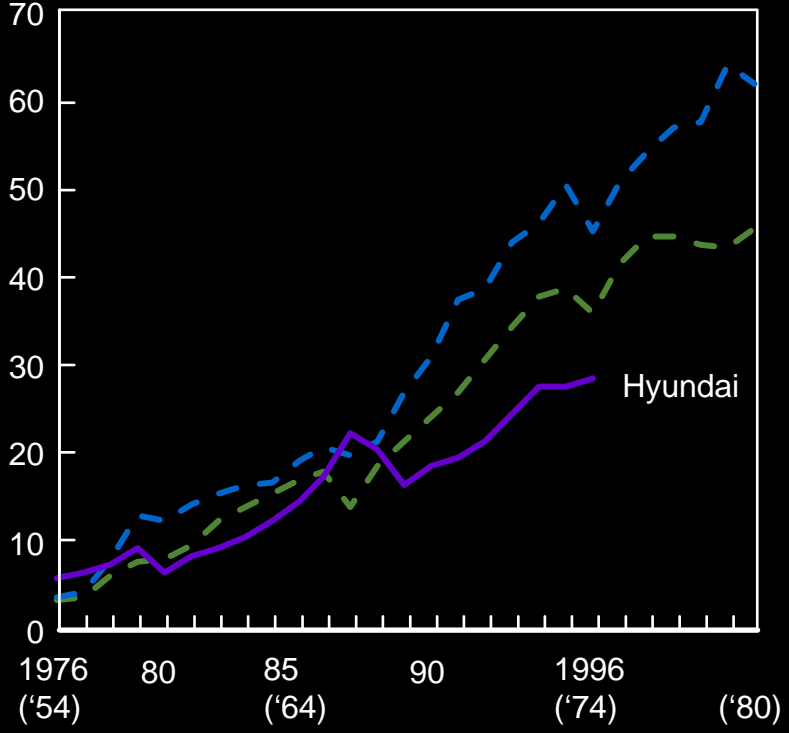
# LABOR PRODUCTIVITY, OUTPUT, AND EMPLOYMENT IN U.S. COMMERCIAL BANKS

Indexed to 1980 = 100

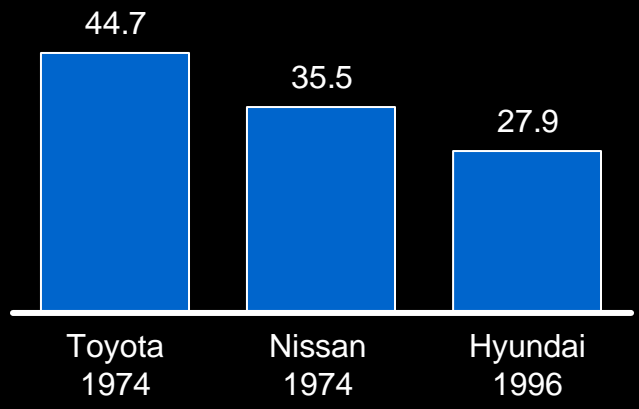


# AUTOMOTIVE LABOR PRODUCTIVITY GROWTH

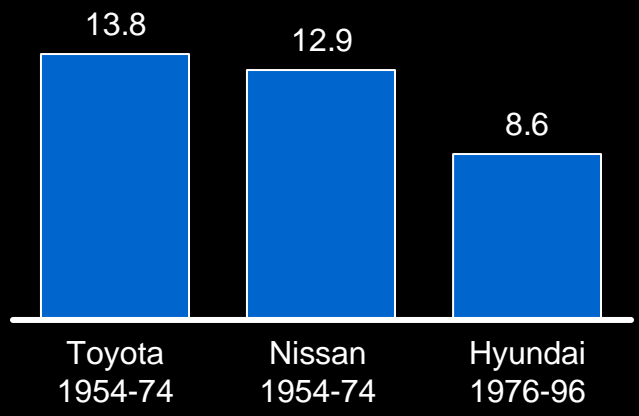
Vehicles produced per employee



**Labor productivity**  
Vehicles per employee



**20-year labor productivity growth rate**  
Percent

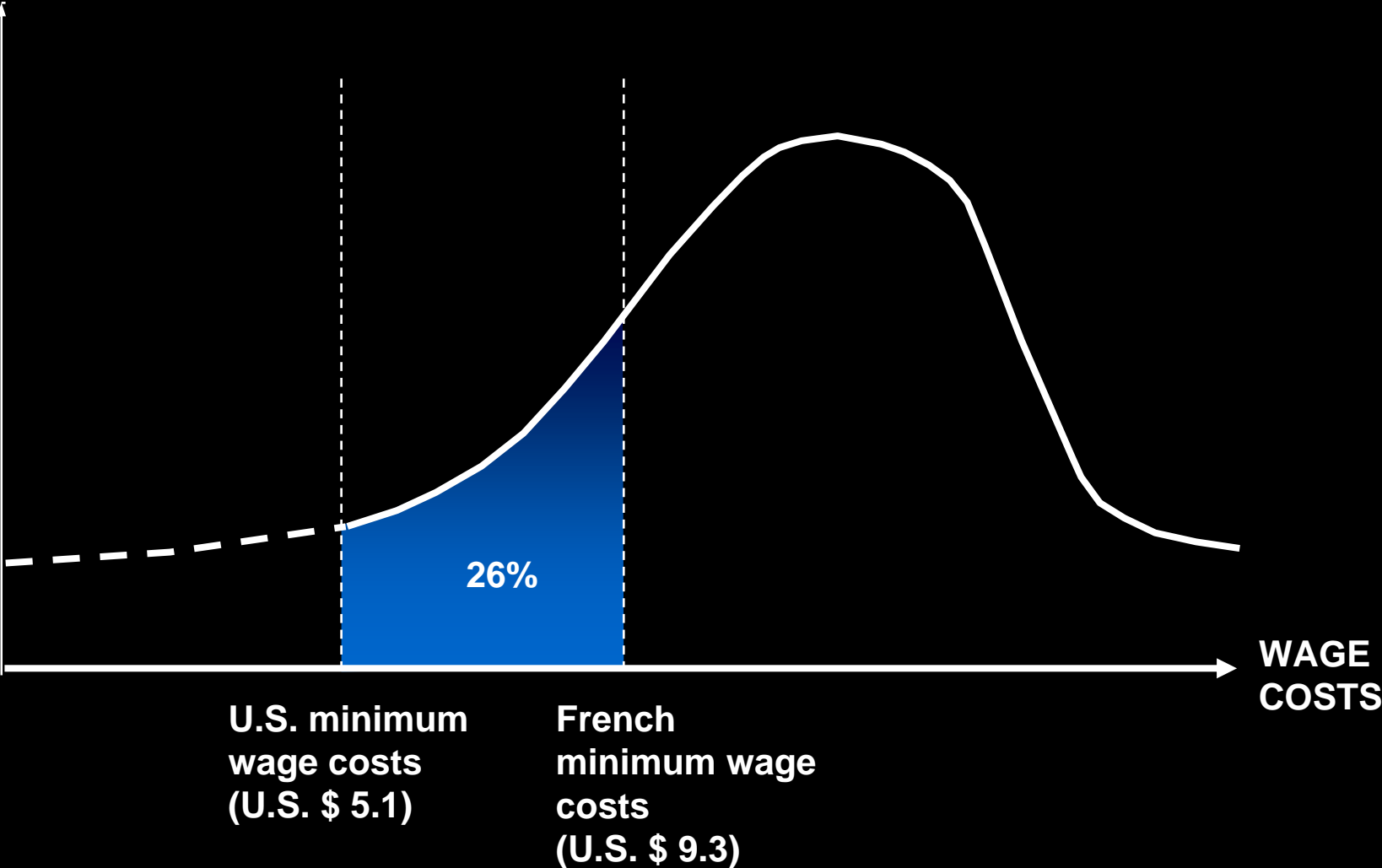


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# IMPORTANCE OF LOW SKILLED LABOR IN THE U.S. – 1995

Number of jobs in the U.S.



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## 5. Consumers have political clout

### US Consumer advocacy



**1906, Senator Robert La Follette**

“The welfare of all the people as consumers should be the supreme consideration of the government.”



**1914, Walter Lippman**

“We hear a great deal about the class-consciousness of labour. My own observation is that in America today consumers’ consciousness is growing very much faster.”



**1932, President Franklin Roosevelt**

“I believe that we are at the threshold of a fundamental change in our popular economic thought; in the future, we’re going to think less about the producer and more about the consumer.”



**1960, John F. Kennedy**

“The consumer is the only man in our economy without a high-powered lobbyist. I intend to be that lobbyist.”





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