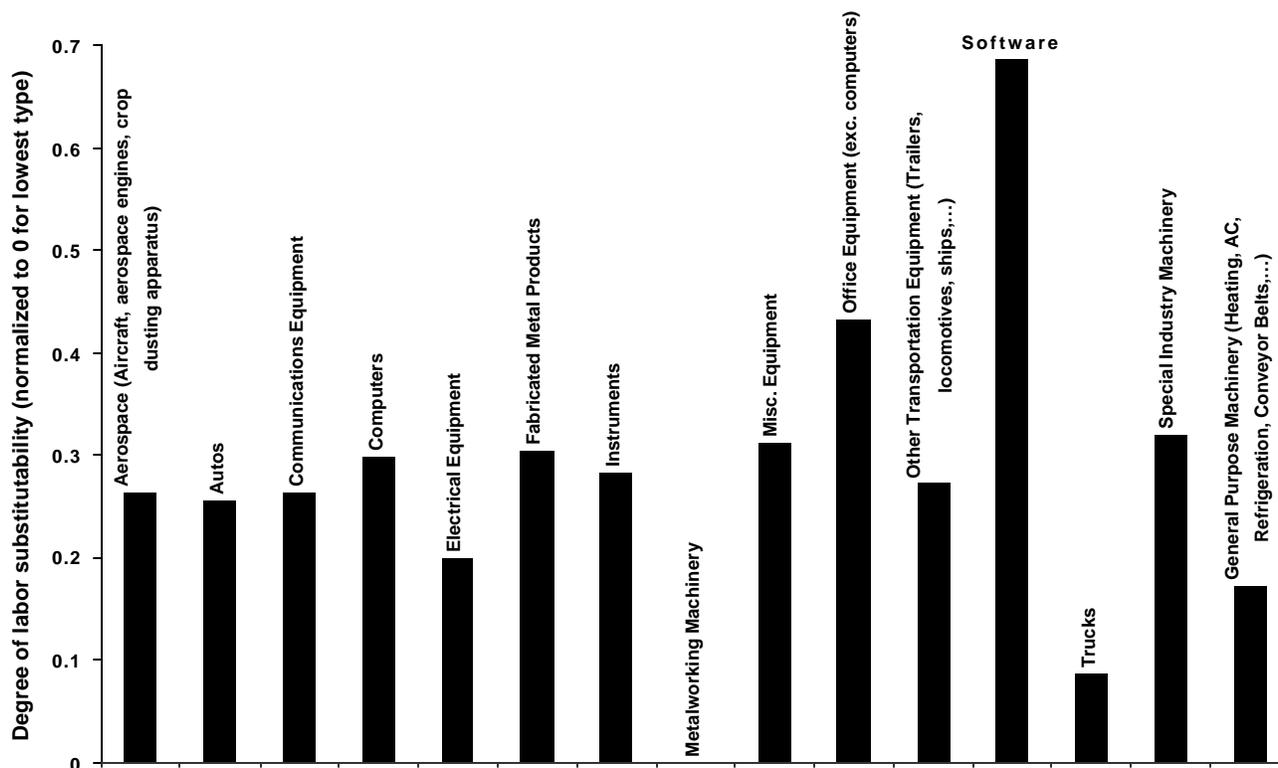


## IN SHORT

### Comparing Capital Goods – What works best with workers?

The amount of labor (e.g., worker-hours) needed for the operation of a truck is clearly different from that needed for the operation of an office fax machine. In economics parlance, the fax machine is said to have a higher degree of substitutability with labor, or is more “labor-saving.” It does not take careful analysis to know that fax machines are more labor-saving than trucks, but what about differentiating the degree of labor saving between goods like trucks and autos, or computers and software. To get at this issue, Dan Wilson looked at a large sample of U.S. businesses and analyzed the degree of labor saving in various types of capital equipment. The main results are shown below. The concept of labor saving is a relative one, so what Wilson identifies is how labor-saving capital goods are relative to each other. We see that software is the most labor-saving type of equipment, while metalworking machinery and trucks are the least labor-saving. Interestingly, both software and (non-computing) office equipment are found to be more labor-saving than computers. This probably reflects that software licenses and office equipment (faxes, printers, copiers, etc.) are frequently shared across users whereas most computers are dedicated to a single worker.

Association Between Output and Labor-Capital Interactions



For details, see Wilson (2004), ["IT and Beyond: The Contribution of Heterogenous Capital to Productivity."](#)