

GDP and Beyond: Update



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Overview



- AEA Panelists' Perspectives
- BEA Progress
- Upcoming Products

AEA Panelists' Perspectives

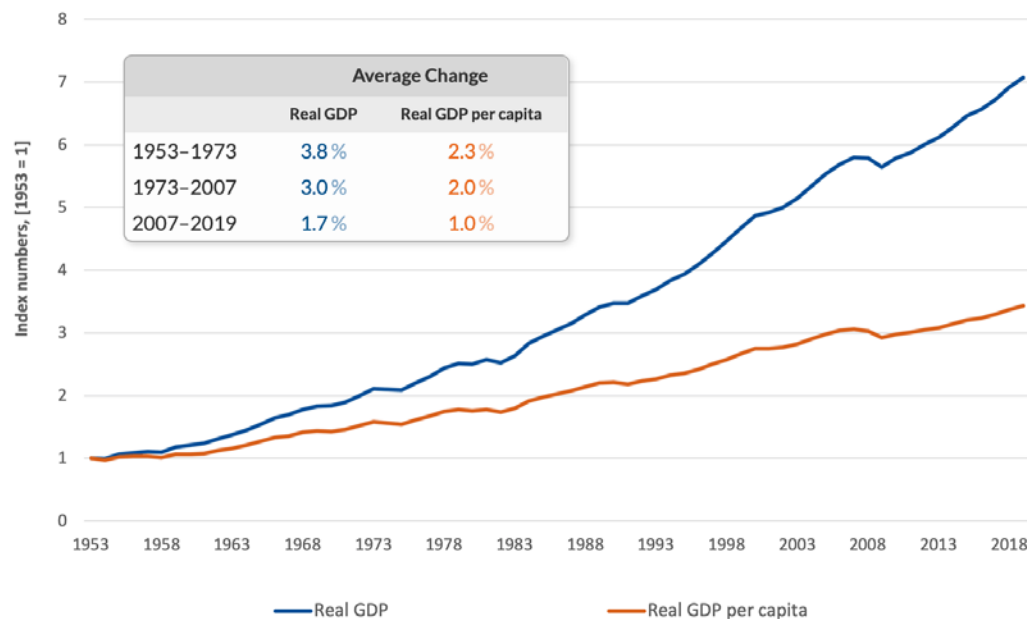
AEA Panelists' Perspectives on BEA's GDP and Beyond Program

		Deaton	Jorgenson	Lynch	Schreyer	Sheiner	Sichel
More prominently feature PCE, PI, and DPI		X			X		
Distribution HH Income		X			X		X
Health Care		X				X	
Dashboard of Market and Nonmarket Indicators					X		
Composite Measure of Economic Welfare			X				X
Human Capital			X	X			X
Household Production				X	X		X
Environmental/Natural Resource Economic Accounts					X		
Evidence-Based Policy					X		
Notes:							
General Support for Satellite Accounts							
Deaton: SWB helpful, but no replacement for National Accounts							
Lynch: HH Production should include home health care, volunteering, and free labor facilitated by IT							
Deaton and Sheiner: Quality-adjusted measures of health care output extremely important							

- [Distribution of Personal Income](#) (prototype—March 2020)
- [Measures of Economic Well-Being and Growth](#) (prototype—March 2020)
 - Americans' economic well-being
 - Income, wealth, employment, production, and inflation
 - Distribution of income and production across households, countries, states, and industries
 - Sustainability of economic growth
 - Contributions to growth by capital, labor, and technology
 - Adequacy of national saving and investment
 - Sustainability of trade and budget deficits

Snapshot: GDP Per Capita

GDP and GDP Per Capita



While the growth and size of GDP are oft-cited measures of the nation's economic health, they provide limited information on economic well-being. A large and growing GDP may simply reflect a large and growing population. GDP per capita standardizes for population and is often used as a proxy for a nation's standard of living.

Real—inflation-adjusted—GDP per capita has grown more slowly than real GDP, increasing 2.3 percent per year on average between 1953 and 1973, compared with 3.8 percent for real GDP. Between 2007 and 2019, growth slowed with real GDP per capita increasing at 1.0 percent per year and real GDP growing at 1.7 percent per year.



Data: Real GDP and real GDP per capita, 1953-2019
Source: BEA NIPA table 1.1.6 and NIPA table 7.1

Snapshot: Country Comparison

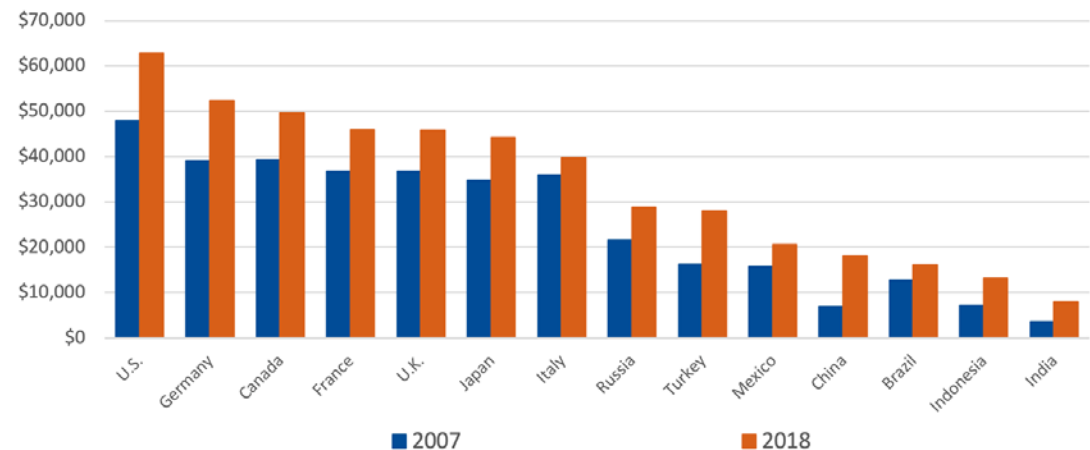
U.S. GDP

Per Capita

Comparison with G-7 Developed Economies and Selected Other Countries



Although growth in U.S. GDP per capita has been slower over the current business cycle than in earlier periods (see "GDP and GDP Per Capita" above), U.S. growth has exceeded growth in G-7 developed economies and is well above the growth in other key nations. As a result, U.S. GDP per capita remains amongst the highest in the world.



Data: GDP per capita for G-7 developed economies and selected other countries, 2007 and 2018

Source: International Monetary Fund DataMapper: "GDP per capita, current prices (purchasing power parity; international dollars per capita)"

Purchasing power parities relate changes in the nominal exchange rates between countries' currencies to changes in the countries' prices, providing a mechanism for directly comparing buying power across countries.

Snapshot: Economic Growth

Trends in Economic Growth



Growth in GDP is essential to economic well-being.

Over time, there has been a slowdown in all three of the sources of economic growth—labor and capital inputs and multifactor productivity (real GDP per unit of output)—which has contributed to the declining rate of long-term growth.

The slowdown in labor input is accounted for by demographic factors such as the aging and retirement of the population and economic factors such as lower labor force participation. The slowdown in capital services reflects a slowdown in net investment (and saving). The slowdown in multifactor productivity is much debated and reflects many factors, including the pace of technological change.



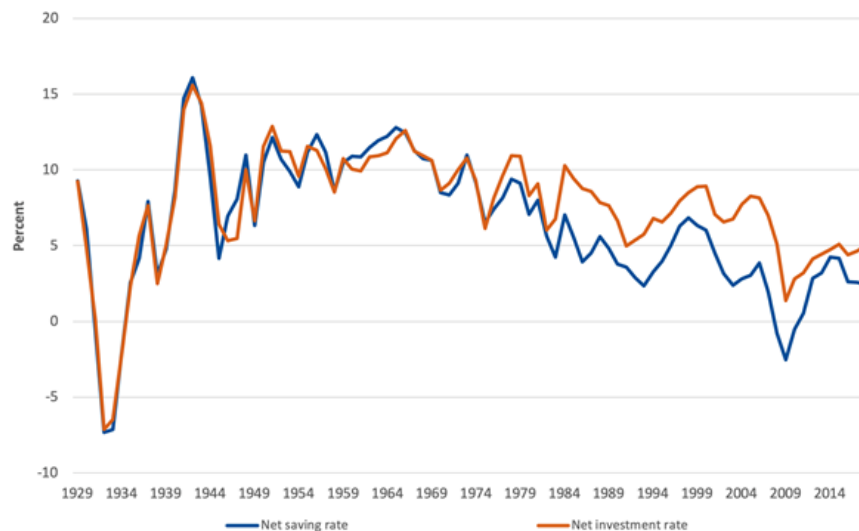
Component	Average Annual Growth		
	1987–2007	2007–2017	Difference
Real GDP	3.1 %	1.5 %	-1.6 %
Labor input	1.5 %	0.8 %	-0.7 %
Capital services	4.0 %	2.2 %	-1.8 %
Multifactor productivity	1.1 %	0.4 %	-0.7 %
Contributions to Growth [Percentage points]			
Real GDP ¹	3.1	1.5	-1.6
Labor input	1.00	0.49	-0.51
Capital services	1.37	0.86	-0.52
Multifactor productivity	0.71	0.14	-0.57

¹ Estimates under the contributions columns are also percent changes.
Source: BEA NIPA table 1.1.3, Integrated BEA GDP-BLS productivity accounts
Contributions to real GDP for labor input and capital services are calculated by multiplying labor's and capital's average shares in cost by their average annual growth rates; contributions to real GDP for multifactor productivity is the residual.

Snapshot: Saving and Investment

Saving & Investment for the **Future**

Net Saving and Net Investment as Percentages of GDP



Net investment—gross investment less depreciation—is often called sustainable investment. A significant share of gross investment in plant, equipment, and IT goes toward replacing capital that wears out (that is, depreciation). Net investment increases the nation's production capabilities.

Net saving represents the amount of net income that is available to finance net investment; however, net investment can also be financed by borrowing from the rest of the world.

During the post-WWII era, net investment and net saving have been trending down (with the related drags on productivity, growth, and standards of living). The downward trend in net investment has slowed growth in U.S. capital stock and capital services, accounting for a large share of the decline in trend GDP growth (see "Trends in Economic Growth" above).

The gap between the net investment rate and the net saving rate has widened over the last 35 years, with the net saving rate turning negative in 2008 during the Great Recession for the first time since the Great Depression.



Data: Net saving and net investment as percentages of GDP, 1929–2018
Source: BEA NIPA table 1.1.5 and NIPA table 5.1

Upcoming Products



- **GDP and Beyond: Priorities and Plans, SURVEY OF CURRENT BUSINESS, forthcoming, 2020**
 - Evolution of efforts to extend National Accounts
 - Recent interest in expanded measures of economic well-being and growth
 - Review of approaches for better measuring economic well-being and sustainability
 - BEA plans
- **GDP and Beyond: AEA Member Panel Perspectives, SURVEY OF CURRENT BUSINESS, forthcoming, 2020**