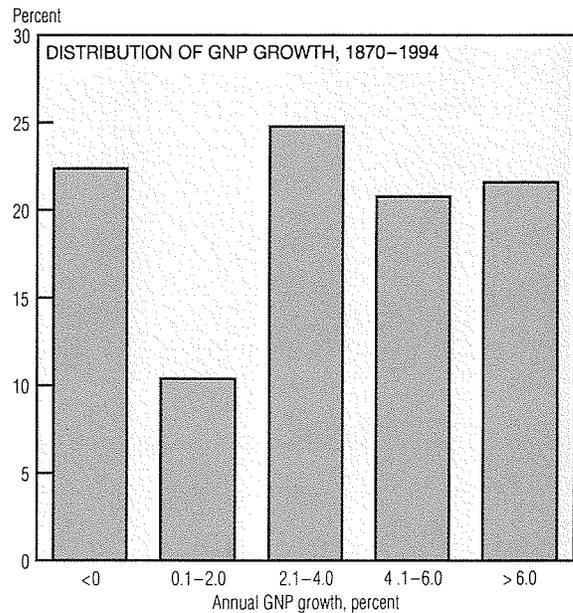
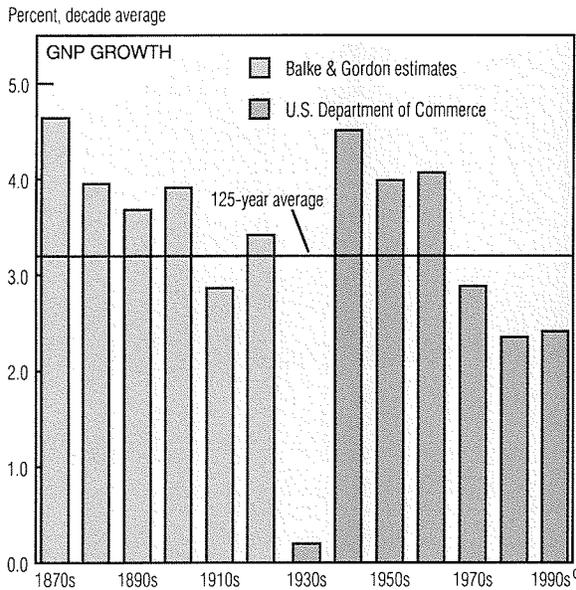
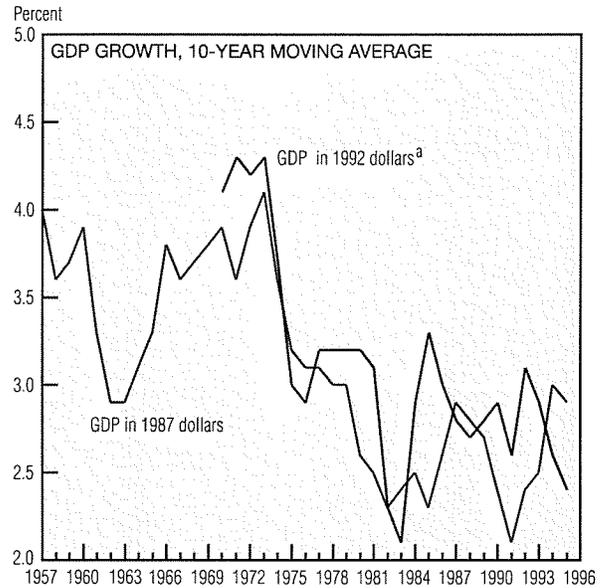


Economic Growth

Real Gross Domestic Product (Percent change, annual rate)		
	GDP 1987	GDP 1992 ^a
1948-1959	3.7	n.a.
1960-1969	4.1	4.6
1970-1979	2.9	3.2
1980-1989	2.5	2.8
1990-1995	2.3	1.8
1948-1995	3.2	n.a.
1961-1995	3.2	3.2
Peak to peak ^b	2.8	1.3



a. Chain-weighted. GDP series begins in 1960.
 b. Average growth as measured from business cycle peak to business cycle peak.
 c. Data end in 1994.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; and Nathan S. Balke and Robert J. Gordon, "The Estimation of Prewar Gross National Product: Methodology and New Evidence," *Journal of Political Economy*, vol. 97, no. 1 (February 1995), pp. 38-92.

Economic growth exhibits both a cyclical pattern and a long-term trend. Over a generation, small changes in the trend rate of output growth can have important implications for the standard of living. Consequently, economists worry as much about the trend rate of output growth as about the business cycle. During the 1970s and the 1980s, trend economic growth appeared to slow, and questions have emerged about what constitutes a sustainable long-term growth rate.

One measure relates potential output to the full use of the economy's major inputs (labor and capital), allowing technological progress to filter through productivity growth. Most of the results of this measure suggest that a sustainable rate of output growth is roughly 2.0%-2.5%. Average peak-to-peak growth often proxies for a potential growth measure. However, measures of potential seem uniformly low relative to actual long-term rates of GDP (or GNP) growth. When measured over

long periods—from 1869, 1947, or 1960—the economy's growth rate averages 3.2%.

Economists attribute long-term growth primarily to increases in employment and educational attainment, expansion of the productive capital stock, and improvements in technology. Another important factor is the expansion of markets, which promotes resource allocation through specialization and encourages technological transfers across nations.