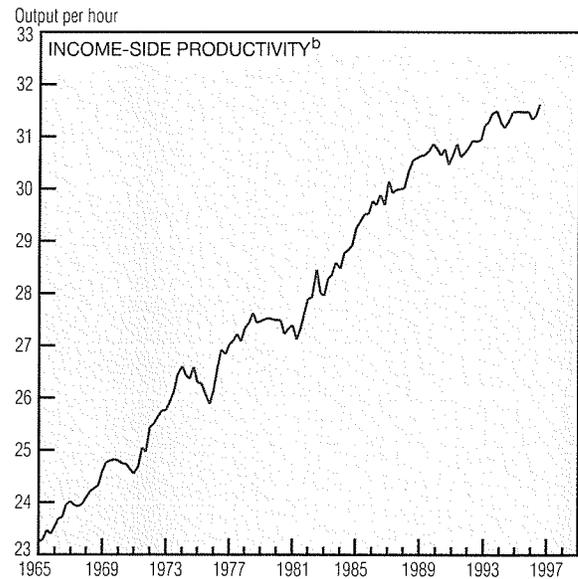
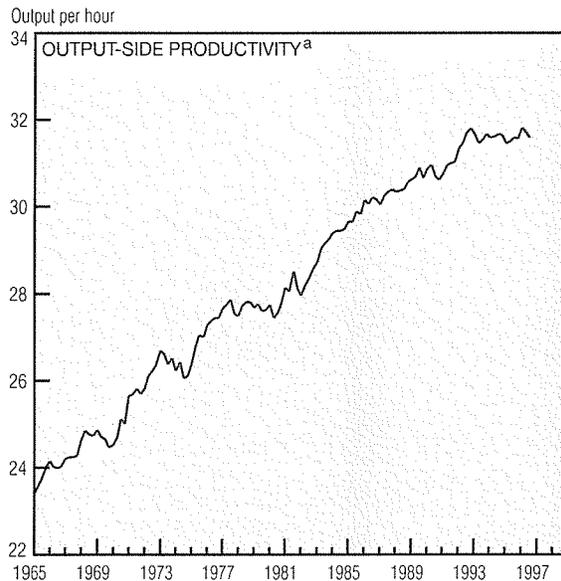
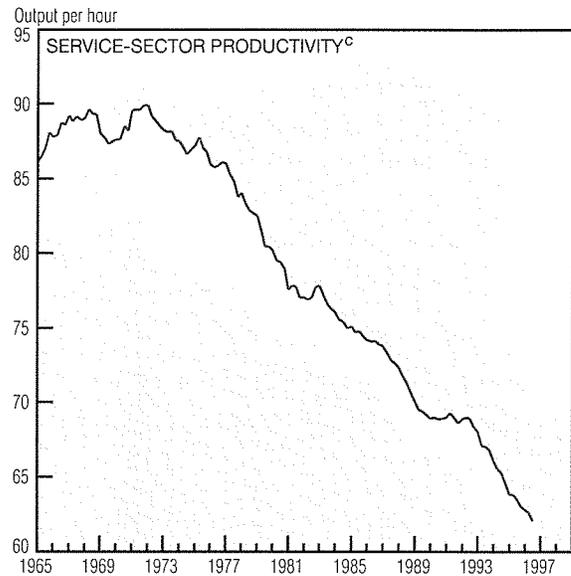


U.S. Productivity Growth

Annual Productivity Growth (Percent)	Output- side productivity ^a	Income- side productivity ^b
	1965–1973	1.50
1973–1992	0.92	0.89
1965–1996	0.96	0.98
1973–1996	0.72	0.79
1992–1996	0.17	0.54



- a. Output-side productivity is measured as GDP in chain-weighted 1992 dollars divided by man-hours in non-agricultural establishments.
b. Income-side productivity is measured as gross domestic income in chain-weighted 1992 dollars divided by man-hours in non-agricultural establishments.
c. Service-sector productivity is measured as GDP for all services in chain-weighted 1992 dollars divided by man-hours in non-agricultural service establishments.
SOURCE: DRI/McGraw-Hill.

Between 1965 and 1973, U.S. annual productivity growth (measured as output per hour worked) averaged 1.5%. This is in sharp contrast to the 0.72% rate recorded since 1973. In the last five years, productivity growth has slipped even further, averaging an anemic 0.17%.

The importance of productivity growth in determining a country's long-run standard of living is undeniable. Given the most recent numbers, it would take the U.S. twice as long to double its standard of living than it would have prior to 1973.

Productivity growth is not uni-

form across the economy. For example, according to official estimates, productivity in the service sector has fallen at a 1.5% average annual rate since 1973. Many economists doubt this dramatic decline, however, questioning the quality of the data instead. Output in the service sector is notoriously hard to measure. For instance, one component of service consumption is education. Is one classroom hour today the same as it was 30 years ago, given the advent of computers in the schools? And how does one measure advances in medical technology?

Such data problems not only exist, but are probably worsening. By definition, GDP, and hence productivity, should be the same whether measured by the value of goods and services produced or by the value of the inputs used in producing these goods. Because of data problems, these output- and income-side productivity measures always differ somewhat. Since 1992, however, the measurement problems have worsened, with income-side productivity growth exceeding 0.5%—nearly 0.4% higher than the traditional output-side measure.