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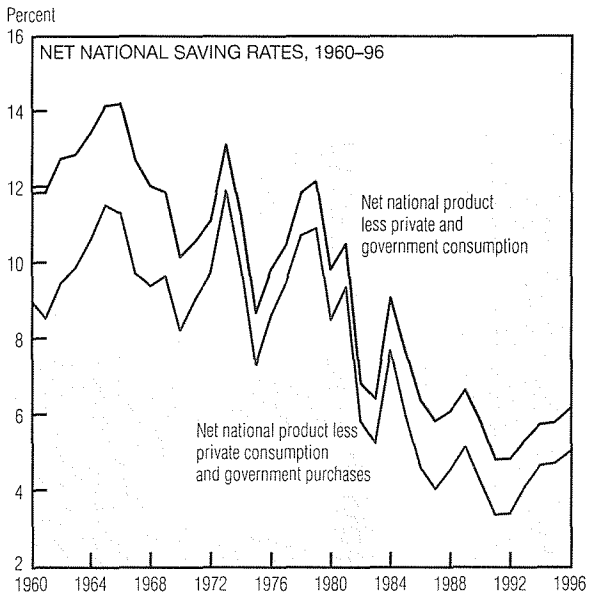
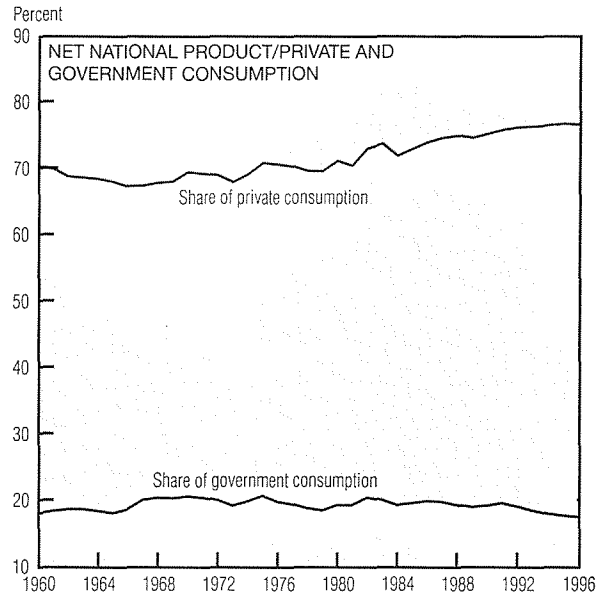
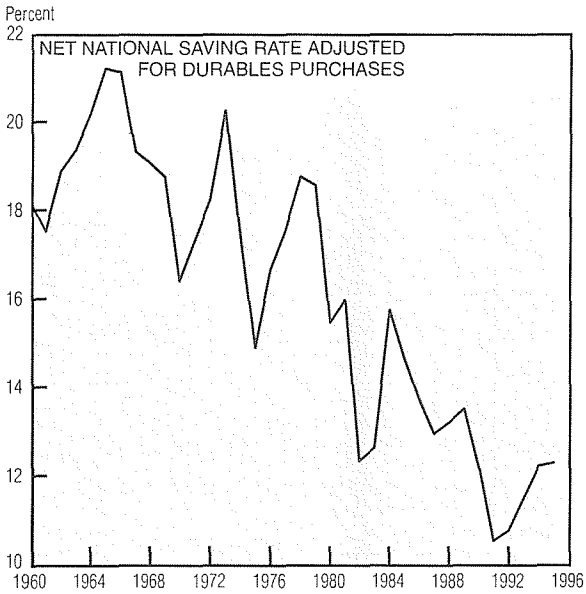
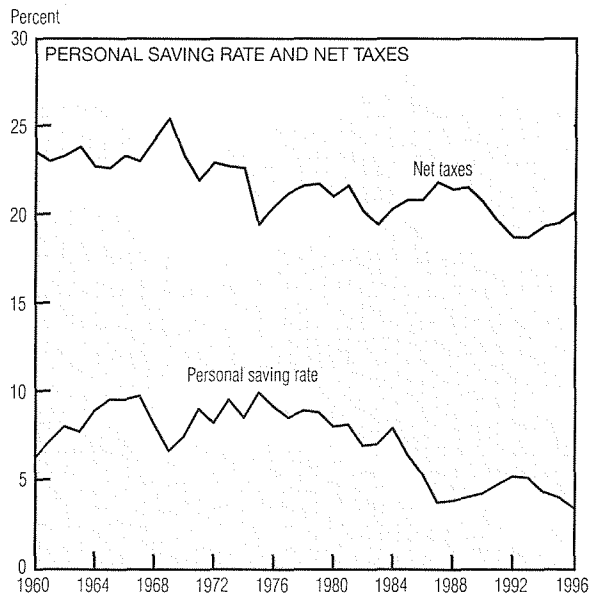
National Saving Trends









SOURCE: DRI/McGraw-Hill.

Policymakers have been keeping an eye on the nation's net national saving rate, which has been trending down over the last two and a half decades. The less we save, the less we can invest to ensure future consumption and output growth, or the more we must borrow from abroad to finance investment. Foreign capital inflows will shore up domestic output, but future U.S. consumption may not increase, since much of the extra output will have to be devoted to servicing the additional foreign debt.

Separating the private and government consumption components shows that the former is responsible for the steep decline witnessed since the mid-1970s. However, some private consumption outlays are for durable goods and should actually be counted as investment. Replacing private durables spending by the service flow from existing durables yields a higher level of saving. Nonetheless, a long-term decline is also evident in this adjusted measure. A third gauge—personal saving—is calculated as personal disposable income minus personal consumption expenditures. Because much of the trend and variation in the personal saving rate is generated by variation in net taxes, this measure fails to distinguish clearly between private and government saving.

Although net national saving rates have been much lower in recent years, an upward trend, caused largely by a decline in government spending, has been evident since the early 1990s.