The final estimate from the National Income and Product Accounts for 2001:IQ reveals that real GDP grew at an annual rate of 1.2% in that quarter, down slightly from the preliminary estimate of 1.3%. Personal consumption expenditures made the largest positive contribution to output growth. Government spending and imports also made substantial positive contributions. Inventory investment, on the other hand, exerted a heavy negative drag on first-quarter GDP growth.

GDP growth for 2001:IQ was up 0.2% relative to 2000:IVQ. Looking ahead, the Blue Chip forecast sees output growth falling back to 1% in 2001:IIQ, but anticipates considerably stronger growth in 2001:IIIQ and 2001:IVQ, albeit somewhat below the U.S. economy’s long-term growth trend.

The National Income and Product Accounts also showed further deterioration in corporate profits. The decline in profits has been fairly broadly based, although the manufacturing sector has been particularly hard hit over the past two quarters. The transportation and trade sectors have also experienced substantial declines.

Health expenditures have risen precipitously over the past 40 years, from less than $400 per capita to more than $1,500 (all measured in constant 1996 prices). While health service expenditures may have increased in step with real income, this explanation cannot account for the rise in health services’ share of
Consumption spending from less than 2% to more than 6%.

Real expenditures on health care can rise in two ways: an increase in the relative price of health care or an increase in the quantity of health care services consumed. It turns out that both factors have been at work. Since 1960, the relative price of health care has roughly doubled while its share of consumption spending has tripled.

Services in the health care industry are offered by government, nonprofit, and for-profit institutions. Over the past 40 years, the nonprofit sector has been declining in relative importance, whether measured by its share of hospital spending, number of hospitals, or number of beds.

Measuring the quantity of health care services is difficult. For example, it would be wrong to look at the smaller number of hospitals and hospital beds and conclude that the quantity of health services has fallen, since hospital and bed numbers measure inputs, not outputs. Many procedures that used to require a hospital stay are now handled on an outpatient basis. The resulting fall in hospital bed use may be thought of an increase in health services, since patients return to their normal lives more quickly.