Economic Growth Essay, Research Paper

Economic Growth

in the

United States

Economic growth can be defined as increases in per capita real GDP (gross domestic product) measured by its rate of change per year. Growth rates are very important because even a small change can make vast difference in the coming years. The knowledge of economic growth is also important because it can provide the means to allow us to gain valuable insights. According to Robert D. McTeer, president and chief executive officer of the Federal Reserve Bank of Dallas, two factors determine the rate of economic growth: productivity increases (more output for the same amount of inputs), and labor (the number of hours worked).

Productivity in the United States, due to new innovations (that are coming together after years of investment), is growing to levels not seen since the 1960 s. For example: productivity growth has averaged 2.3 percent from 1996 to 1999, doubling the 1.1 percent average productivity growth from 1973 to 1995. At a rate of two percent from 1996 to 1999, labor has also increased, as unemployment fell and welfare recipients have gone to work. The economy has been growing at a rate of about 4.5 percent each year, due to this.

However, the increase in the workforce , or hours worked, limits labor growth. Again, according to McTeer, in the long run, productivity growth is the key to rising living standards.

On another note, there are many benefits that go along with the economic expansion we are experiencing. The current economic expansion has commonly been referred to by economists as “The 1990 s Economic Boom”, because the current growth of the U.S. economy is the longest ever in peacetime. Economists observe that this expansion has benefited nearly every American. According to the reports of the Bureau of Labor Statistics, more than three out of every four jobs created from 1989 to 1995 were highly-paid professionals and managerial positions. The Council of Economic Advisers reported that in 1995 and 1996, more than half of new jobs created were in fields where the average wage ranked in the top third of all salaries. Another great benefit according to the Investor s Business Daily January 19, 1999 publication, is that 1.67 million families left welfare rolls, and 1.74 million more single parents found jobs.

Though this economic expansion has been the longest since World War II (according to the New York Times, October 18, 1998), growth during the 1990 s has been weaker than during any growth cycle since the end of the war. For example, for most United States households, inflation-adjusted income is no higher today than it was in 1989 when the last expansion ended; layoffs are running ahead of 1980 s levels, though the job market is strong; and though business has invested heavily in the 1990 s, it has not as much as in earlier expansions.

In conclusion, both productivity gains and economic growth have been languid compared with performance in past expansions.

Works Cited

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