

Paul Krugman

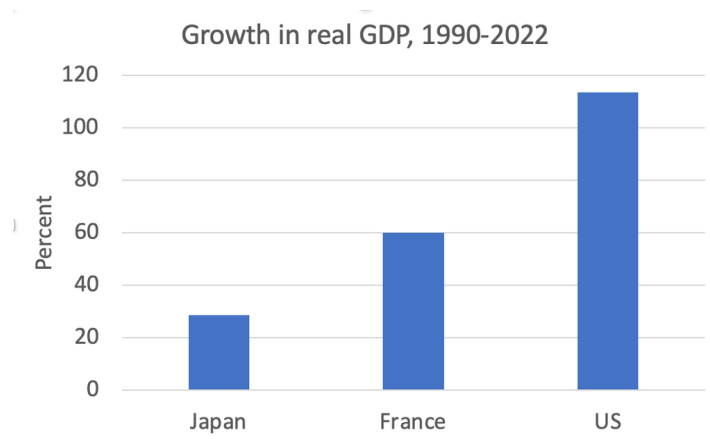
OPINION

APRIL 21, 2023

High G.D.P. is great, but a vacation might be nice too

Readers of a certain age may recall that 30 years ago there was a widespread sense that America's days as an economic great power were numbered. The sense of decline was captured by two best-selling books, both published in 1992: Michael Crichton's novel "Rising Sun," which envisaged a future dominated by Japan, and Lester Thurow's "Head to Head," portraying a struggle for supremacy among the United States, Japan and Europe, which America was likely to lose.

Obviously things didn't turn out that way. Nowadays, America does face a real geopolitical challenge from China, which has emerged as a bona fide economic superpower. But the U.S. economy has left other wealthy nations in the dust. Here's growth in real gross domestic product from 1990 to 2022:



America has been pulling ahead. Total Economy Database

The Economist recently emphasized this divergence with a cover story titled "America's Astonishing Economic Record," which was the jumping-off point for column by my colleague David Brooks. And the U.S. economy has certainly defied those dire predictions from three decades back.

Yet it's important to understand a few qualifications to that record.

In some ways America's economic achievements have been less impressive than they seem. And American *society* isn't doing well at all.

Before I get to the numbers, let's do what some of my colleagues call the "walking-around test." I love data — data is a friend of mine — but it's always a good idea to check data

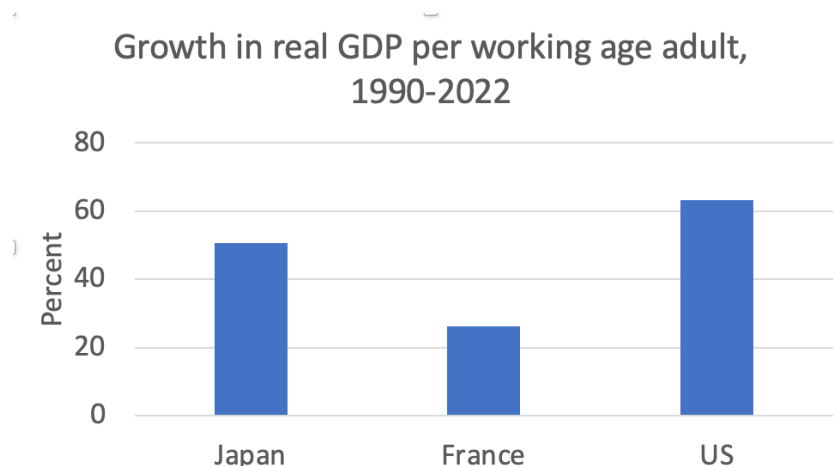
against what you seem to see in real life.

I imagine that a number of my American readers have visited European nations or Japan recently; some, like me, have visited them repeatedly over the years.

So, did those nations strike you as poor and backward? Did they feel as if they've fallen farther behind the U.S. than they were, say, 15 or 20 years ago?

I'd say no. If anything, my personal sense is that a technological gap between the United States and Europe had opened up in the early 2000s, because we were quicker to take widespread advantage of the internet, but that this gap has pretty much vanished since then.

How can this sense be reconciled with the huge disparity in economic growth? Demography is a large part of the answer. Thanks to a combination of higher birthrates and higher immigration, America's population, especially its working-age population — usually (if awkwardly) defined in international statistics as people between 15 and 64 — has grown much faster than that of many advanced-country rivals. If you look at growth per working-age adult, the United States is still ahead, but the disparity — especially with Japan — is much less:



Demography is a big part of the story. Total Economy Database, OECD

France still looks weak by this comparison, but a lot of that reflects the fact that generally speaking, the French, unlike Americans, take vacations, and unlike us have taken out some of the gains from economic growth in the form of more leisure. Productivity — output per person hour — has risen faster in the United States than elsewhere, but the gap isn't huge:



The French are fairly productive, but they take vacations, and work-life balance is worth considering, too.

Total Economy Database

So when you take demography and decisions about work-life balance into account, U.S. overperformance, while real, looks a lot less impressive than G.D.P. alone might suggest.

Still, even with these qualifications, our economic growth has been good by advanced-country standards. Should we be feeling triumphal?

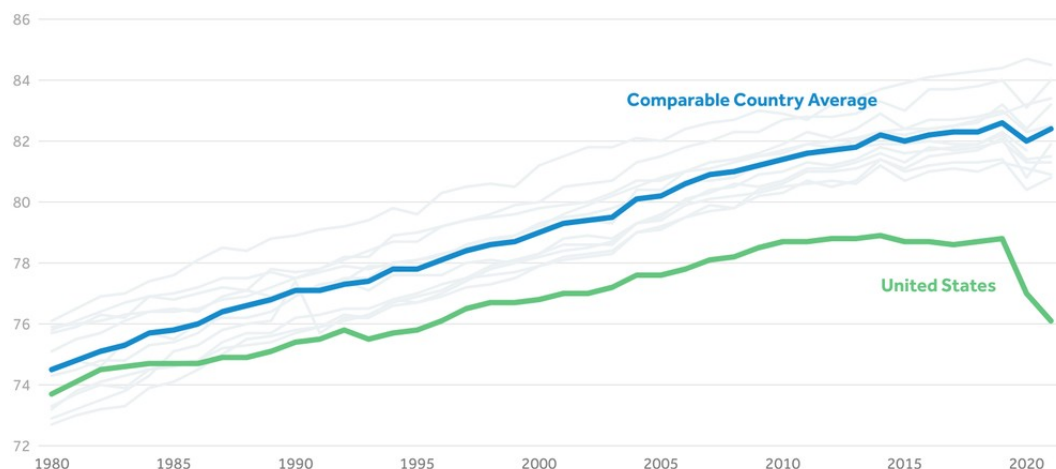
Now, I'm not one of those people who believes that G.D.P. is a terrible, horrible, no-good measure and that governments pursue bad policies because they're trying to maximize this flawed number. For one thing, G.D.P. does tell us how much stuff an economy can produce, and that is useful information. For another, if you think that governments are following a coherent strategy of maximizing economic growth, or actually maximizing anything, you're being hopelessly romantic about how policy decisions are made.

That said, it's always important to bear in mind that G.D.P., at best, tells us how much a society can afford. It doesn't tell us whether the money is well spent; high G.D.P. need not translate into a good quality of life. Individuals can be rich but miserable; so can countries.

And there are good reasons to believe that America is using its economic growth badly.

Most starkly, surely an important factor in the quality of life is, you know, not dying. And even as America has pulled ahead economically, we've seen a stunning decline in life expectancy compared with other advanced countries:

Life expectancy at birth in years, 1980-2021



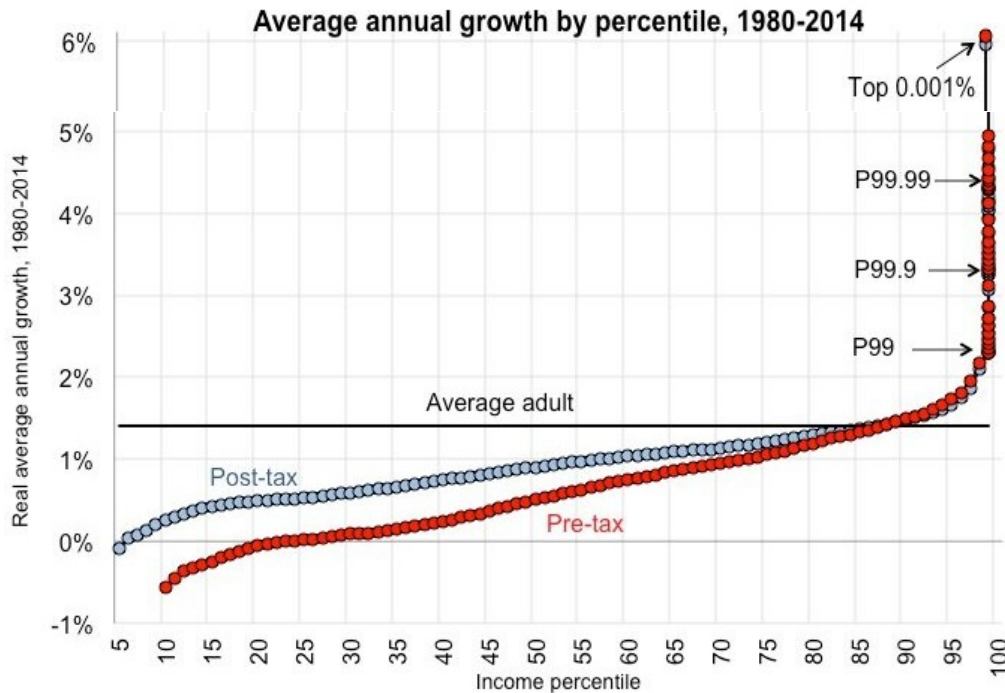
Notes: Comparable countries include: Australia, Austria, Belgium, Canada (except for 2021), France, Germany, Japan, the Netherlands, Sweden, Switzerland, and the U.K. See Methods section of "How does U.S. life expectancy compare to other countries?"

Source: KFF analysis of CDC, OECD, Japanese Ministry of Health, Labour, and Welfare, Australian Bureau of Statistics, and UK Office for Health Improvement and Disparities data

Peterson-KFF
Health System Tracker

Not dying is an important part of life, and one where America really underperforms. Peterson-KFF

Beyond that, when an economy grows, there's always the question of who benefits from that growth. Over the past few decades America has seen a sharp rise in the share of income accruing to a few people at the top of the income distribution, so the middle class has seen much smaller income gains than overall economic growth might suggest. According to the team producing [distributional national accounts](#)," gains in average income overstate the gains accruing to around 85 percent of the population:



America, where most people are below average. Gabriel Zucman

smaller income gains than overall economic growth might suggest. According to the team producing distributional national accounts," gains in average income overstate the gains accruing to around 85 percent of the population:

Inequality has risen in other countries, too, but not to the extent that it has here. So that impressive U.S. economic performance may not translate into a comparably impressive rise in the living standards of typical Americans. Do we care that the rich can afford more and bigger [superyachts](#)?

Again, the U.S. economy has proved more dynamic and resilient than many people expected a few decades ago, and we've maintained our status as an economic superpower, belying predictions that we were doomed to relative decline. But curb your enthusiasm: The numbers aren't really as good as they look, and there are shadows over America that aren't captured by gross domestic product.

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