## **Saving and Economic Growth:**

Is the United States Really Falling Behind?

by

Robert E. Lipsey Irving B. Kravis

 $\mathcal{C}$ 

Jointly Sponsored by the American Council of Life Insurance and The Conference Board

## **Contents**

WHY THIS REPORT.	V11
INTRODUCTION	ix
1. INCOME LEVELS AND GROWTH AT HOME AND	
ABROAD.	
The Position of the United States in the World Economy	
The Growth of Nations.	
What Is a 'Fast' Rate of Growth?	
A Golden Age of Economic Growth	
What Growth Rates Shall We Demand of the Economy?	
The Relative Stability of U.S. Long-term Growth Rates	
Within-Period Variations in Growth.	
Conclusions	
APPENDIX 1 A. Some Fine Points.	
APPENDIX IB. Data Sources	. 22
Table 1-1. Per Annum Growth Rates, Population and Real GDP,	
Selected Countries and Groups of Countries, 1950-1984	
Table 1-2. Historical Growth Rates for Selected Industrial Countries.	9
Table 1-3. The Catch-Up of Industrial Countries Relative to U.S.,	
Real GDP per Capita, 1950-84	14
Table 1-4. Annual Growth Rates of Total and Per Capita GDP,	
Selected Countries and Areas, and Selected Periods, 1950-84	.16
Appendix Table 1-1. World Population and Production, Selected	2.4
Countries and Groups of Countries, 1984.	24
2. SAVING AND CAPITAL FORMATION IN THE UNITED	
STATES AND OTHER INDUSTRIAL COUNTRIES	25
Is the United States a Spendthrift Nation?	. 25
Finding a Yardstick to Measure Saving and Investment.	25
Whose Saving Should be Measured?	28
What Should be Counted as Saving?	. 29
Consumer Durables	30
Education	
Research and Development	
Military Capital Formation	. 33

Participation Rates in Equations for Growth in GDP and GDP	<b>67</b>
per Capita	
Appendix Table 3-5. Average Annual Growth Rates of Real Product and Parts Accounted for by Growth of Real Inputs, Nine Countries, Pre-1960 and 1960-1973.	
4. SUMMARY  Differences in Saving and Capital Formation  Capital Formation and Economic Growth  Looking Ahead	72 77
LIST OF REFERENCES	83
Charts	
1-1. Levels of Income, 1984	
1-2. Catching Up to the United States.	
1-3. The Slowdown in Economic Growth, 1950-84	
2-1. Capital Formation as Percent of GNP	
2-2. Capital Formation, 1980	
2-3. Stock of Consumer Durables ::	39
2-4. Nonresidential Capital Stock per Person Relative to the United States.	41
2-5. Distribution of Capital Formation by Type.	
3-1. Relationship Between Capital Stock and Income, Seven	73
Countries	50