Critiquing Misleading White House Statements About the Economy

PART 3:

International comparisons of economic growth

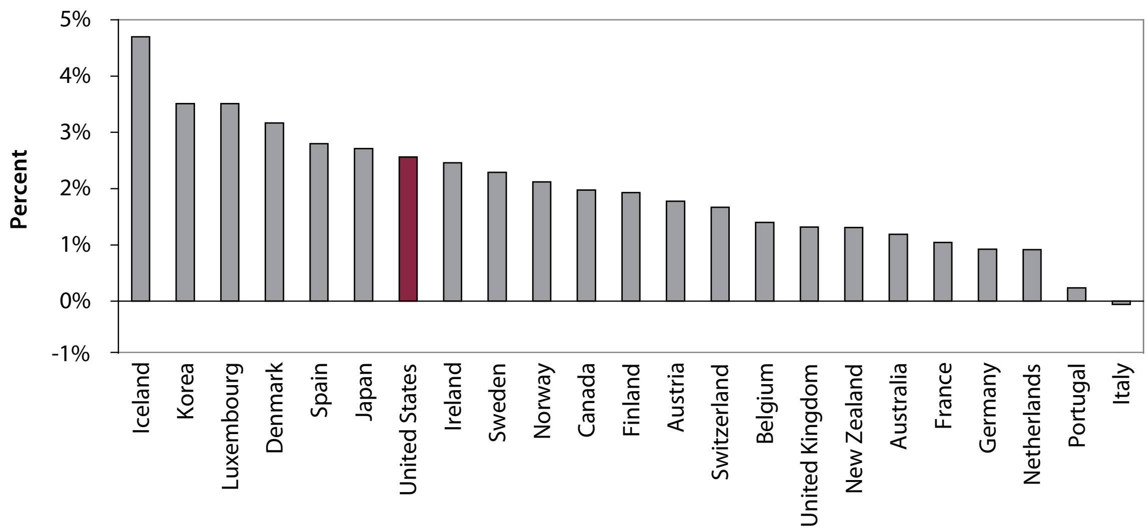
A recent White House news release contains this claim regarding economic growth:

> "Last year, the economy grew at a healthy 3.5 % rate—faster than any other major industrialized country."
> (http://www.whitehouse.gov/news/releases/2006/04/20060411-9.html)

This sort of comparison is hard because nations do not have synchronous business cycles and countries tend to grow faster coming out of a deep trough than at the top of a cycle. Further, a more relevant statistic than Gross Domestic Product (GDP) growth for comparing economic outcomes is growth in GDP per capita. A good chunk of the U.S. GDP advantage over many industrial countries stems only from faster population growth. Growth in living standards is better captured by per capita growth rates.

The White House selects a small number of coun-

Figure A.
Growth in GDP per capita, 2005



Source: The World Economic Outlook Database from the International Monetary Fund.

tries they define as peers with the United States. Among countries classified as "advanced" by the International Monetary Fund (IMF), six had per capita growth rates higher than the United States (see **Figure A**).

In 2005, per capita GDP grew at 2.56 % for the United States. Japan's per capita growth in 2005 was charted by the IMF as higher, at 2.70 %, while five other countries saw per capita growth rates above that of the United States.

— This *Snapshot* was written by EPI Economist L. Josh Bivens.