

04

Section



# Economy

 **STATE · OF · THE NATION**



# Economy

**Introduction.** In the United States, we provide for our material well-being mainly through markets. Private markets provide not only for basic necessities like food, housing, and medicine, but others, from entertainment to transportation, that shape the quality and character of life.

**Summary of Results.** The US has the second largest economy in the world, next to China (although we still far exceed China on a per capita basis). We also have among the most productive workforces in the world, beating out almost nine of every 10 countries. Both measures are at or near all-time highs.

Our trends are also generally moving in a positive direction. Output and productivity have both been improving overall and productivity has also been improving relative to other countries. Of all the topics and measures in this report, the economy is our greatest strength.



## Economic Output

**Specific measure:** Real gross domestic product (GDP), or the level of production within our national boundaries, expressed in 2023 US dollars. (Source: Authors' analysis of World Bank and Bureau of Labor Statistics data). Recessions are highlighted in gray.

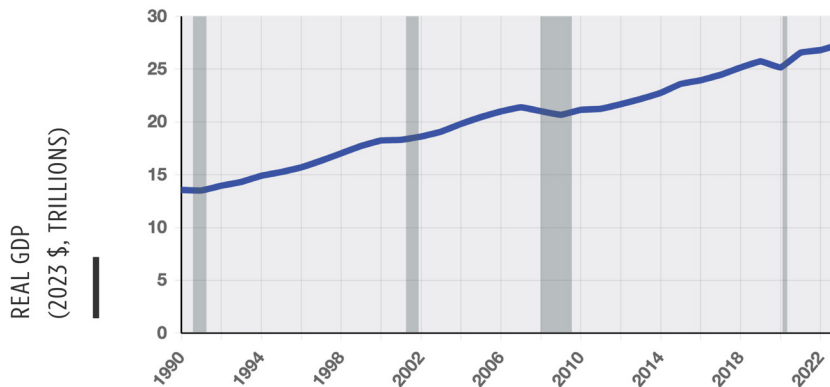
National Trend  
↑

% of countries the US outperforms  
98%

Intl. Rank Trend  
→

**Why did we include this measure?** GDP measures the value of output of final goods and services—our nation's economic production. Because GDP depends not just on the quantity of output but also on prices, the measure reflects the value of that output to consumers in their market exchanges. As such, it is an important measure of income and material well-being.

Figure 9: Economic Output (National Trend)



### How does the US rank globally?

- **Specific Measure:** Real GDP, 2021 international dollars (PPP). (Source: Authors' analysis of World Bank data).
- **Percentage of countries the US outperforms:** 98% (out of 107 countries)
- **International Rank Trend:** ↔

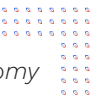
**What do the data show?** Real GDP has increased steadily over the long run. Loosely speaking, when GDP falls, it means we are in a recession; in Figure 9, we show these recessions with gray vertical boxes. The 1990s and early 2000s were a period of relative stability, but this was interrupted by two major economic events: The 2008 Great Recession and the brief, though sharp, recession at the beginning of the COVID pandemic. These recessions had far-reaching social, political, and economic impacts, though GDP itself quickly rebounded and is currently at an all-time high, ranking just below China.

**What might explain these patterns?** GDP is driven by three immediate factors: the size of the labor force, average hours per worker, and worker productivity. Our rise in GDP in recent years has been driven by productivity growth as well as some increase in population size (driven mainly by immigration).



The fact that we rank second to China in terms of total GDP might seem surprising because the press normally compares GDP on an exchange rate basis. However, exchange rates fluctuate much more than actual economic activity and, in some countries, are manipulated by government policies, so this measure is problematic. We therefore use a “purchasing power parity” (PPP) measure instead. This is more widely accepted by economists and, using this method, the US ranks second globally.

While we rank second to China in total GDP, our GDP per capita is much higher than China’s. Likewise, China’s high ranking in total GDP is driven by the fact that it has a much larger population and workforce.



## Productivity

**Specific measure:** Real gross domestic product (GDP) per hour worked, expressed in 2023 US dollars. (Source: Authors' analysis of Organization for Economic Co-Operation and Development and Bureau of Labor Statistics data). Recessions are highlighted in gray.

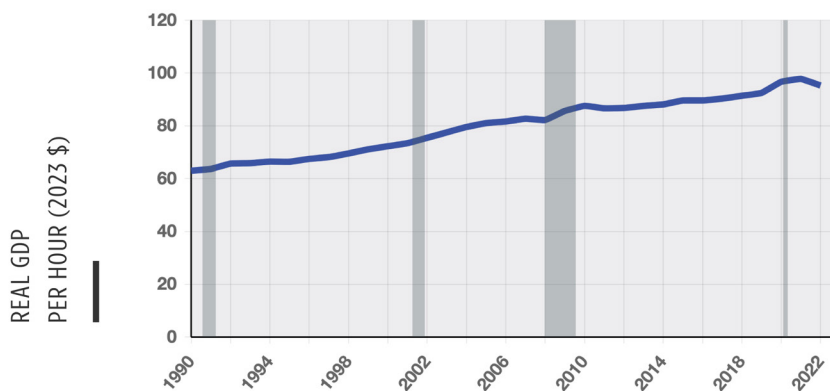
National Trend 

% of countries the US outperforms **88%**

Intl. Rank Trend 

**Why did we include this measure?** It is not just how much we produce that matters but how much time we need to put into it. Productivity growth is one of the main drivers of overall economic growth and signals increases in human and physical capital and innovations in products, technology, management, and work processes. This allows us to increase our material prosperity while also having leisure time to rest, exercise, vacation, and spend time with our families and friends and in civic and community activities.

Figure 10: Productivity (National Trend)



### How does the US rank globally?

- **Specific Measure:** Real GDP per hours worked, 2017 international dollars (PPP). (Source: Authors' analysis of International Labor Organization data).
- **Percentage of countries the US outperforms:** 88% (out of 101 countries)
- **International Rank Trend:** ↑

**What do the data show?** Both the domestic and international trends have been moving in a positive direction. We are also near the top in the world in worker productivity, though eleven countries are above us. (The countries just above us are Guyana, Sweden, and Singapore.) Again, given the close connection between productivity and GDP, it is no surprise that they are moving in tandem.

**What might explain these patterns?** Productivity improves because of a combination of factors. Firms can develop and invest in new production technologies and improve workplace organization, while workers may enter the workforce with greater general skills (human capital) or specific skills better matched to firm needs.

Among the smaller group of high-income countries with both strong GDP and productivity, the US leads in terms of both. This appears to be due to a combination of our large population size, historical investments in education and business capital, culture of hard work, innovation, entrepreneurialism, relatively stable democratic government, free market policies, national security, and other advantages.



**Related Topics:** The rise in productivity is a key factor behind the slight (though mixed) rise in average real wages, and economic output is driven partly by the size of the labor force (see the Work and Labor section). Since human capital is a key driver of productivity, the Education section is relevant. Economic output is also a driver of the environment and national security. Finally, as with other topics in this report, the averages we report reflect improvements for some groups and negative outcomes for others. For evidence on how economic output is shared across the population, see the Inequality section.

\*For more information about data sources and treatments, see the Data Notes section.\*



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*Board and Public Support for this Topic and Measures*

	Support from Board	Support from Public
<b>Economy (as topic)</b>	100%	78%
<b>Economic Output</b>	93%	69%
<b>Productivity</b>	77%	65%

**Other Measures Considered:** The board also considered, but did not include, other measures, including new business starts, business investments, and corporate concentration. The public did not support any of these other measures either. Economic output received the most support from the public at 69%.