

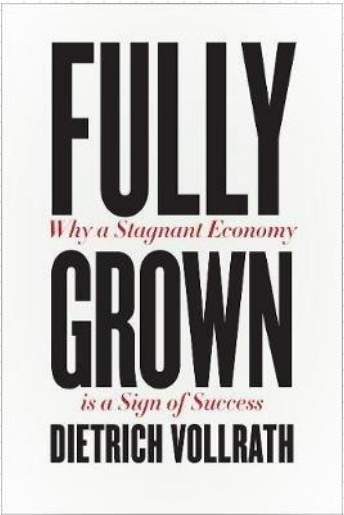


# FULLY GROWN: WHY A STAGNANT ECONOMY IS A SIGN OF SUCCESS

Dietrich Vollrath, Professor of Economics, University of Houston

Webinar

Friday, 29 January 2021, 16:30 GMT



# A WORD FROM TODAY'S CHAIRMAN



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# TODAY'S AGENDA



- 16:30 – 16:35 Chairman's Introduction
- 16:35 – 17:00 Keynote Address – Dietrich Vollrath
- 17:00 – 17:15 Questions & Answers

# TODAY'S SPEAKERS



**Dietrich Vollrath**

Professor of Economics

University of Houston



# The U.S. growth slowdown

Avg. annual  
growth rate of  
GDP per  
capita



20<sup>th</sup> Century



21<sup>st</sup> Century

-1.25% / year

# First Poll: What drove the slowdown?

- A. Taxes and regulation inhibited entrepreneurship
- B. Innovation focused on “clicks not bricks”
- C. Concentration of firms limiting competition
- D. Shift of activity away from goods and towards services
- E. Boomers leaving the workforce

Most of the slowdown is due to:

1. Demographics

2. The shift into services

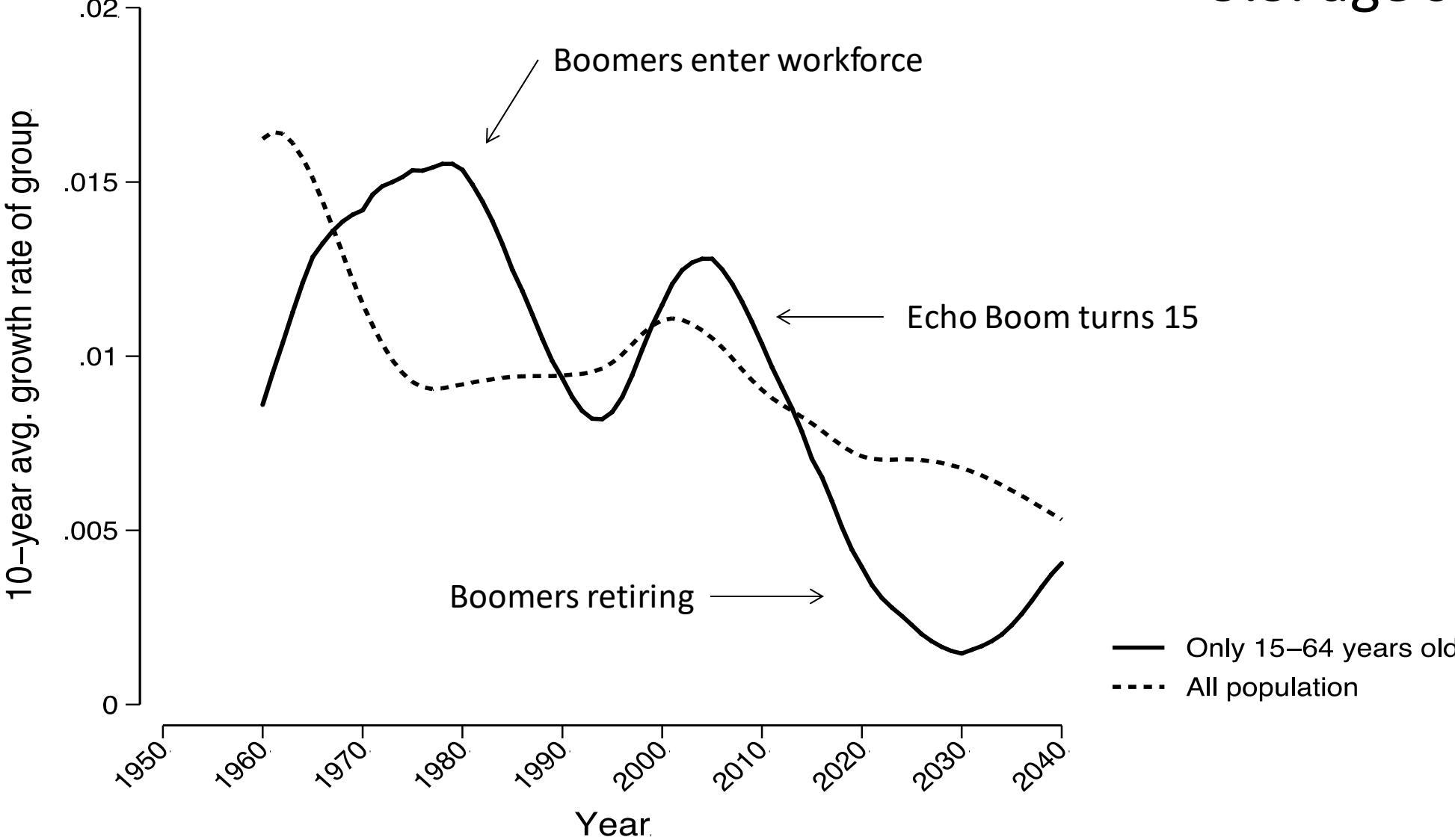


Success is *not* perfection

## Accounting for U.S. growth slowdown

Period	Growth rate of GDP p.c.	Contribution to growth of:		
		Physical capital	Human capital	Productivity
1950-2000	2.25%	-0.22%	<b>0.96%</b>	1.51%
2000-2008	1.21%	0.05%	<b>0.06%</b>	1.10%
2000-2016	1.00%	-0.12%	<b>-0.15%</b>	1.26%

# U.S. age structure



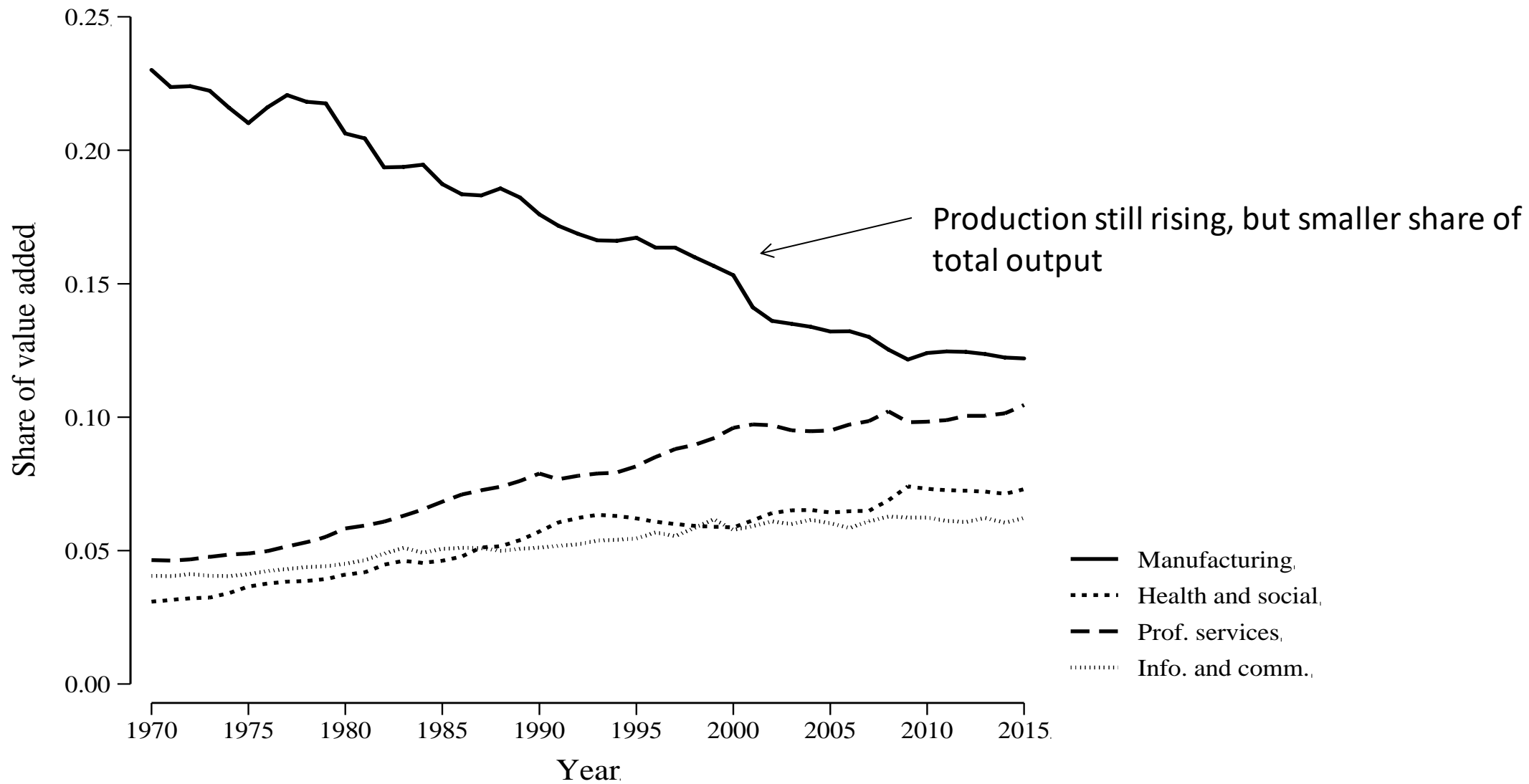
# Accounting for U.S. human capital

Period	Growth rate of human capital p.c.	Contribution to human capital growth of:			
		Education	Experience	Workers/Pop	Hours/week
1950-2000	0.96%	0.70%	0.05%	<b>0.45%</b>	-0.25%
2000-2016	-0.15%	0.31%	0.08%	<b>-0.35%</b>	-0.19%

Falling family size due to:

- Higher living standards
- The pill
- Women's labor force participation

# The shift to services



# Second Poll: Why did manufacturing decline?

- A. Chinese competition
- B. Offshoring
- C. Higher productivity didn't translate to higher demand
- D. Private equity stripping firms for cash



Unintended consequences of:

Goods productivity growth

>

Services productivity growth

Why?

Labor makes the product

vs.

Labor *is* the product

## Alternatives?

- A lack of innovation?
- Market power?
- Mobility?
- Taxes and regulation?
- Inequality?
- Trade?

## Accounting for the slowdown

Growth rate (%)	Explanation
2.25	Average annual growth from 1950-2000
	<b>Successes:</b>
-0.80	The effects of smaller family size and aging
-0.20	The shift from goods to services
	<b>Failures(?):</b>
-0.15	Decline in worker and firm reallocation
-0.10	Decline in geographic mobility
0	Taxes and regulation, trade, inequality
= 1.00	Average annual growth from 2000-2016

# Third Poll: What would you do to reverse the slowdown?

- A. Bulldoze homes to create demand for construction and durable?
- B. Outlaw contraception to boost fertility rate?
- C. Limit female labor force participation to encourage larger families?
- D. Nothing, if those are the options.

Success is *not* perfection

**FULLY**

*Why a Stagnant Economy*

**GROWN**

*is a Sign of Success*

**DIETRICH VOLLRATH**

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# QUESTIONS AND ANSWERS





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## Forthcoming Events

- Thursday 04 Feb (14:00)      The Future Of Crypto And Digital Assets
- Friday 05 Feb (10:00)      The Faux Curtain Of Accuracy In Systems That Use Artificial Intelligence
- Tuesday 09 Feb (09:00)      The Tortoise & The Hare - The Continued Importance Of The Bond Market
- Friday 12 Feb (11:00)      Socially Progressive Corporations - The Historic London Rubber Company

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