

# CHAPTER 26

## Assessing the Economy's Performance

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- **Economic growth**
  1. An increase in real GDP occurring over some time period or
  2. An increase in real GDP per capita occurring over some period of time

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- **Rule of 70**

Approximate # of years required to double real GDP =  $\frac{70}{\text{annual \% rate of growth}}$

At 3% annual rate of growth, GDP will double in about 23 years ( $70/3 = 23$ )

- **Accounting for growth**

1. Labor input vs labor productivity
2. Technological advance
3. Quantity of capital
4. Education and training
5. Economies of scale and resource allocation

Is growth desirable and sustainable? p515