

US' GDP Growth Fiction

Description

?“\$187 billion increase in consumer debt in 2019 amounted to nearly a quarter of the \$849 billion increase in nominal GDP over the same period.”

I would argue that the \$187B may have created all of the GDP growth. When someone borrows to spend, for example, dining out, that money gets spent again by the restaurant. They pay the employees, the food distributors, the list goes on. The employees spend their money, the food distributors pay their employees, etc. The dollars keep getting recycled. And I don't think anyone really knows how GDP is calculated.

Now, if we add the Federal Government ~\$1.1 Trillion in deficit spending, how did GDP increase by a lower amount?

Well the GDP calculation is flawed. Like the story where two friends, exchange 1 dollar between each other, both of them has the same amount of money. However, they exchanged 100 times. Then GDP is \$100.

GDP is more a measure of “activity” than it is a measure of increased wealth.

Any counterproductive policy or gvt spending will be counted as an increase in GDP – regardless if it is likely to result in a multiplied decline in GDP in the future.

DC could pay the unemployed to burn down every structure in the US...and GDP would increase by that amount – and be doubled when the structures are rebuilt.

Keynes knew this (and preferred it to “stasis”/“suboptimal” “growth”) – he used the example of digging and filling in holes.

But in doing so he really just put an intellectual veneer on the fiscal (and other) totalitarian instincts of the kind of people attracted to “government”.