

Explanations for the U.S. Productivity Slowdown

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Productivity growth, both labour productivity and total factor productivity, has slowed down significantly in the United States since 2004, after rapid growth in the 1995-2004 period. It is unclear if this development is a permanent feature of the economic landscape, or temporary. This question is crucial for the future of the U.S. economy. The objective of this paper is to survey and assess possible explanations for slower productivity growth. These explanations can be grouped into three types: demand-side factors linked to the Great Recession and its aftermath; supply-side developments including a slower pace of technological progress; and real output measurement issues that have resulted in an underestimation of productivity growth.