'Boring' GDP report a byprodu lackluster US economy

BY ANTONY DAVIES, OPINION CONTRIBUTOR - 04/03/17 09:40 AM EDT

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This week, the Bureau of Economic Analysis upgraded its estimate of economic growth for the fourth quarter of 2016 from 1.9 percent to 2.1 percent. Even for economists, it's hard to get excited about economic reports. But economic growth over the past decade is even more boring than usual. And these latest figures don't add any pep to the subject.

Historically, the Bureau of Economic Analysis has revised its three-month-out economic growth estimates by 0.2 percentage points. That makes the current revision exactly average — a boring revision to a boring measure. The source of the boredom is the economy itself. Since the end of the Great Recession, it has been lackluster.

Of the 30 quarters that have since passed, the economy contracted in two, was basically stagnant for six, grew at an anemic pace for fifteen, and only exhibited true signs of vigor twice — at the end of 2011 and the middle of 2014. The economic statistics are boring because the economy is boring. But it's not supposed to be this boring. Something isn't right.

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An economy behaves much as an athlete. The faster it runs, the greater the need to take a breather. The slower it runs, the more energy it builds up for the next sprint. This is the ebb and flow of recessions and expansions. Historically, in the first two years following the end of a recession, the economy has grown from over 3 percent to 6 percent or more annually.

But in the two years following the Great Recession, the economy grew at a paltry 2.2 percent. And then it slowed further, to an average of 2.1 percent to the present. For reference, from 1948 until the Great Recession, the economy grew an average of 3.4 percent per year.

Something isn't right. This isn't an athlete taking a breather. This is an athlete who is injured. What's injured is the mechanism that powers the economy. We've listened to generations of politicians talk about the jobs they have "created." We've nodded sagely as policy wonks have told us that government spending drives the economy.

But government isn't the power. Politicians don't create jobs. At best, they move jobs from where consumers want them to where politicians want them. Politicians point to the jobs that pop up where the government spends money, while ignoring the jobs that disappear where the government taxes and borrows to raise the money it spends.

Not only does the economy slow as the government interferes, it also changes what it produces. It produces fewer of the things people want in exchange for producing more of the things politicians want. That means fewer cars in exchange for more solar cells. Less beef in exchange for more corn. If these tradeoffs were really good, they'd be happening without government intervention.

Politicians are always looking to expand government because the greater its reach, the more favors politicians can dole out, the more votes they can garner, the longer they can retain the trappings and perks of elected office. The Great Recession scared voters, and politicians of both parties were right there to assure them that the solution was more government.

Following years of stimulus spending, quantitative easing and rhetoric about "job creation," too many voters have forgotten that entrepreneurs, consumers, and their free interactions are what power the economy.

Now, in place of a vibrant and exciting economy, we have a boring one that is captured in boring revisions to boring estimates, all of which stand as a testament to the power of government to stamp out the creative spark that drives economies forward.

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