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Finance in Economic Growth: Eating the Family Cow

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Abstract

The American economy changed rapidly in the last half-century. The National Income and Product Accounts (NIPA) were designed before these changes started. They have stretched to accommodate new and growing service activities, but they are still organized for an industrial economy. It is hard to fit finance into the measurement of national product and of economic growth, and similar problems bedevil efforts to include other intangible investments as well. I describe how our current accounts deal with these problems, and I argue that existing NIPA data fail to describe the future path of growth in our new economy because they lack output data on financial, human and social capital investments. They fail to show that the United States is consuming its capital stock now and will suffer later, rather like killing the family cow to have a steak dinner.

Keywords: NIPA, BEA, finance, economics growth, human capital, social capital**JEL Classification:** B40, G19, N12[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID3346750_code2361034.pdf?abstractid=3346750&mirid=1\)](#)[Open PDF in Browser \(Delivery.cfm/SSRN_ID3346750_code2361034.pdf?abstractid=3346750&mirid=1&type=2\)](#)

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