Macro Roundup Article

Headline: US Capital is Depreciating Faster

Article Link: https://conversableeconomist.com/2023/09/26/us-capital-is-depreciating-faster/

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Tweet: US net investment has declined from its 1950-80 average of 10% of GDP to 5%. @TimothyTTaylor argues that the cause is increased investment in information technology that depreciates more quickly than plant and equipment.

Summary: Gross investment has typically been 20-25% of GDP over time, although in recent years it's been closer to the lower end of that range. From the 1950s up into the 1980s, net investment was (very roughly) 10% of GDP. Thus, it was plausible to say that in a typical year, a little more than half of gross investment went to replace capital that was wearing out, and a little less than half of gross investment was actually new, net investment growing the capital stock. But in the last decade or so, gross investment has been about 20% of GDP, and net investment has fallen to about 5% of GDP. In other words, gross investment as a share of GDP has fallen a bit, but not too much. The real change is that about three-quarters of investment is now going to replace capital that has worn out, so net investment is much lower.

Related Articles: Capital Allocation

Primary Topic: Intangibles

Topics: Database, Important!, Intangibles, Investment, Op-Ed/Blog Post, Productivity, Weekly

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