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## Fact Sheet: How Much Can the Economy Grow? March 1, 2016

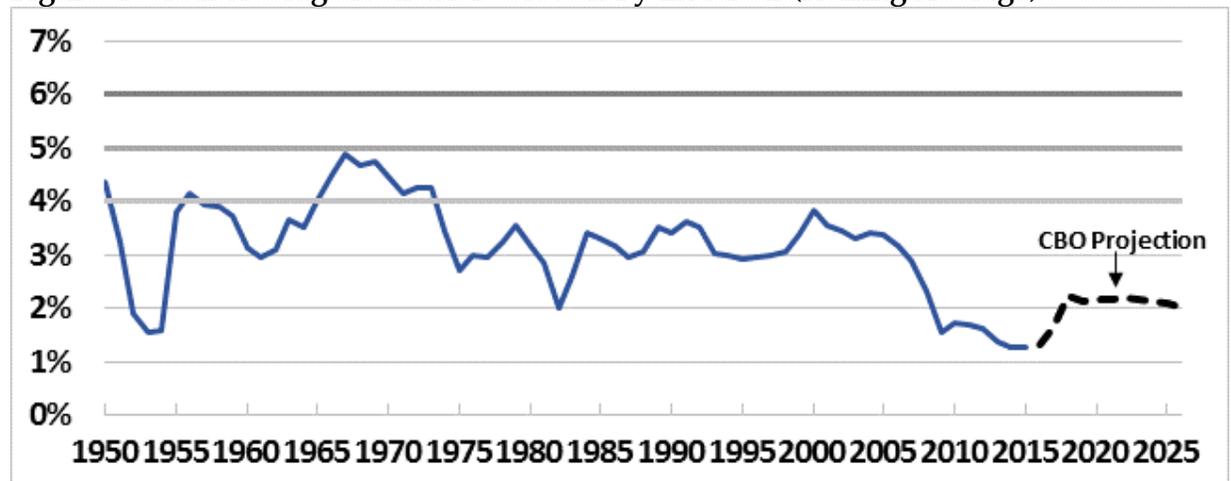
Since faster economic growth would represent a boon for wages and the fiscal situation, a number of Presidential candidates have been promising or assuming it on the campaign trail. For example:

- **Ted Cruz:** “America can get to 5 percent growth.”
- **Donald Trump:** “We are looking at a 3 percent but we think it could be 5 [percent] or even 6 [percent]. We are going to have growth that will be tremendous”.
- **Analysis** supported by **campaign** staff of **Bernie Sanders:** “The growth rate of the real gross domestic product will rise from 2.1% per annum to 5.3%”

**These diverge quite substantially from projected growth and even economic history:**

- The Congressional Budget Office (CBO) projects real (inflation-adjusted) growth will average 2.1 percent over the next decade.<sup>i</sup> The Blue Chip projection is for 2.2 percent.<sup>ii</sup>
- Since 1947, the average rate of US economic growth has been 3.2 percent; growth is expected to be about 1 percent lower than that due to slower labor force growth (mainly from population aging).<sup>iii</sup>

**Figure: 10-Year Average Real GDP Growth By End Year (Rolling Average)**



Sources: Bureau of Economic Analysis, CBO January 2016 Baseline, CRFB Calculations

Note: These are compound averages over 10 years. The CBO projection line includes historic data to maintain 10-year average.



- In the post-war era, there has never been a period of 10 consecutive years that have averaged 5 percent GDP growth.
  - The record was 4.9 percent from 1958 to 1967 (due to recovery from the 1958 recession, the post-war economic boom, and the Kennedy-era tax cuts in 1964)
- Since 1973, there has not been a 10-year period that has averaged even 4 percent growth.
- The contemporary example of a booming economy, the technological revolution of the 1990s, averaged about 3.5 percent growth – driven in part by demographics and a dot-com bubble.
- Adding together all pro-growth policies estimated by the official scoring agencies would at most increase annual economic growth to about 3 percent.<sup>iv</sup>

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For more information or to speak with a CRFB expert, contact [media@crfb.org](mailto:media@crfb.org).

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<sup>i</sup> CBO projects the economic situation assuming a current law baseline in which Congress meets its obligations but does not change the law. For the purposes of this short analysis, growth refers to real (inflation-adjusted) Gross Domestic Product (GDP) growth, considered widely to be the most relevant measure of the size of the economy.

<sup>ii</sup> The Blue Chip projection is an average of 50+ independent macroeconomic forecasts that vary by modeling method and assumptions. <http://www.wklawbusiness.com/product-family/blue-chip>

<sup>iii</sup> Simple average of the annual growth rates from 1948 to 2015.

<sup>iv</sup> Tax reform will likely only be able to increase growth by 0.02 to 0.5 percent per year, according to [official estimates](#) from the Joint Committee on Taxation and the Treasury Department. According to CBO's [most recent estimate](#), repealing the Affordable Care Act could increase growth by less than 0.1 percent per year. CBO [estimated](#) that the Senate's immigration reform bill in 2013 could increase growth by up to 0.3 percent a year. In CBO's [long-term budget outlook](#), they calculate that a \$4 trillion deficit reduction package would have positive economic returns of around 0.1 percent yearly on, average, over ten years. In total this could add about 1 percentage point to the growth rate that CBO projects of about 2.1 percent, bringing average growth to around 3 percent.