



# Productivity and potential output before, during, and after the Great Recession

Tuesday 20 November 2012 12 – 1.30pm

Dr John Fernald Senior Research Adviser, Federal Reserve Bank of San Francisco

Seminar Room 4, Level 2 JG Crawford Building 132, Lennox Crossing, ANU



At this seminar, Dr John Fernald will look at the recent dynamics of productivity and potential output in the United States. In the longer term, potential output plays a central role in determining living standards. In the near term, assessments of potential output play a key role in policy discussions notably around the degree of 'slack' in the economy.

Dr Fernald makes four observations. First, after accelerating in the mid-1990s, labour and total-factor productivity (TFP) growth slowed after the early to mid-2000s. This slowdown preceded the Great Recession, also referred to as the Global Financial Crisis. Second, in contrast to some informal commentary,

productivity performance during the Great Recession and early in the subsequent recovery was roughly in line with previous experience during deep recessions. In particular, the evidence suggests substantial labour and capital hoarding. During the recovery, measures of factor utilisation fairly quickly rebounded, and TFP and labour productivity returned to their anemic mid-2000s trends. Third, a plausible benchmark for the slower pace of underlying technology along with demographic assumptions from the Congressional Budget Office imply steady-state GDP growth of just over 2 per cent per year—lower than most estimates. Finally, during the recession and recovery, potential output grew even more slowly—reflecting especially the effect of weak investment on growth in capital input. Half or more of the shortfall of actual output relative to pre-recession estimates of the potential trend reflects a reduction in potential.

Dr John Fernald is Senior Resarch Adviser at the Federal Reserve Bank of San Francisco. Dr Fernald has served as the senior economist on the White House Council of Economic Advisers and has taught at the University of Chicago's Graduate School of Business and the University of Michigan.

This seminar is presented by the Centre for Applied Macroeconomic Analysis at the Crawford School of Public Policy at The Australian National University.

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Registration required & further enquiries

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This seminar is free and open to the public

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