

**Handout to Accompany Discussion of**  
**“Declines in the Volatility of the U. S.**  
**Economy: A Detailed Look”**

**(Authors: Bruce Grimm  
and Brian Sliker)**

**Robert J. Gordon  
Northwestern University and NBER**

**BEA Advisory Meeting  
May 2, 2008**

**Table 1**  
**Standard Deviation of Four Quarter**  
**Growth Rates of Components of Real GDP**

	1950-1983	1984-2005	Ratio of 1984-2005 to 1950-1983 (Percent)
<b>Real GDP</b>	3.0	1.6	51
<b>Consumption of Durable Goods</b>	9.4	4.9	52
<b>Consumption of Non-Durable Goods</b>	1.9	1.2	62
<b>Consumption of Services</b>	1.2	0.9	74
<b>Equipment and Software Investment</b>	9.1	6.7	74
<b>Nonresidential Structures</b>	7.0	8.4	119
<b>Residential Structures</b>	16.7	7.5	45
<b>Inventory Investment<sup>a</sup></b>	1.5	1.3	86
<b>Federal Government</b>	11.6	3.8	33
<b>State and Local Government</b>	2.9	1.7	57
<b>Exports</b>	9.7	5.3	55
<b>Imports</b>	8.9	5.6	63
<b>Total Consumption</b>	2.3	1.2	52
<b>Total Investment</b>	13.4	8.6	64
<b>Total Government Spending</b>	6.9	2.0	29
<b>Average Share of Nominal GDP</b>			
	1950-1983 (Percent)	1984-2005 (Percent)	Ratio of 1984-2005 to 1950-1983 (Percent)
<b>Consumption of Durable Goods</b>	8.5	8.5	100
<b>Consumption of Non-Durable Goods</b>	27.3	20.6	76
<b>Consumption of Services</b>	26.7	38.1	143
<b>Equipment and Software Investment</b>	6.5	7.9	121
<b>Nonresidential Structures</b>	3.9	3.2	81
<b>Residential Structures</b>	4.9	4.5	91
<b>Inventory Investment</b>	0.8	0.5	59
<b>Federal Government</b>	11.4	7.7	68
<b>State and Local Government</b>	10.0	11.5	115
<b>Exports</b>	6.1	9.7	159
<b>Imports</b>	-6.0	-12.1	202

Source: NIPA Tables 1.1.3., 1.1.5., 1.1.6., and 5.6.5B.

Note: <sup>a</sup> The standard deviation of inventory change is calculated by taking the first difference of real inventory change and dividing through by a twenty-quarter moving average of inventory change. This series begins in 1952:Q2 rather than in 1950:Q1.

**TABLE 2**  
**Decomposition of Post-1983 Decline in Real GDP Volatility Between**  
**Changes in Component Volatility and Changes in Shares**

	<b>Actual Deviations and Shares</b>	<b>Actual Deviations and 1950-1983 Shares</b>	<b>Actual Shares and 1950-1983 Deviations</b>
<b>1950-1983</b>	5.05	5.05	5.05
<b>1984-2005</b>	2.48	2.73	4.47
<b>Difference Between 1984-2005 and 1950-83</b>	-2.57	-2.32	-0.58

Source: NIPA Tables 1.1.3., 1.1.5., 1.1.6., and 5.6.5B.

**TABLE 3**  
**Standard Deviations of Four-quarter Moving**  
**Average of Contributions to Percent**  
**Change in Real GDP, 1950-2005**

	1950-1983	1984-2005	Difference, 1950-1983 vs. 1984-2005	Percentage Contribution to Sum of Components
<b>Real GDP</b>	3.14	1.61	-1.53	
<b>Sum of Components</b>	7.48	4.57	-2.91	100.0
<b>Consumption of Durable Goods</b>	0.83	0.42	-0.41	14.2
<b>Consumption of Non-Durable Goods</b>	0.55	0.25	-0.30	10.2
<b>Consumption of Services</b>	0.35	0.33	-0.02	0.7
<b>Equipment and Software Investment</b>	0.59	0.55	-0.05	1.6
<b>Nonresidential Structures</b>	0.30	0.29	0.00	0.0
<b>Residential Structures</b>	0.83	0.32	-0.51	17.4
<b>Inventory Investment</b>	1.25	0.73	-0.51	17.6
<b>Federal Government</b>	1.44	0.31	-1.13	38.9
<b>State and Local Government</b>	0.26	0.19	-0.08	2.7
<b>Exports</b>	0.53	0.52	-0.01	0.5
<b>Imports</b>	0.55	0.66	0.11	-3.8
				<b>Percent of Real GDP</b>
<b>GDP minus Residential Structures</b>	2.78	1.44	-1.34	87.5
<b>GDP minus Inventory Investment</b>	2.44	1.33	-1.11	72.5
<b>GDP minus Federal Government</b>	3.18	1.61	-1.57	102.5
<b>GDP minus Residential, Inventories, and Federal Government</b>	1.93	1.19	-0.74	48.3

Source: NIPA Table 1.1.2.

