

Missing Growth in European countries

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- Aghion, Bergeaud, Boppart, Klenow, Li (2017) built a model that links CD to missing growth and derive an explicit expression.
- Standard measurement assumes new producers have same quality-adjusted price as products they replace
- But creative destruction \Rightarrow new producers have *lower* quality-adjusted prices

- 80% of items: 4% inflation (no innovation)
- 10% of items: -6% inflation (innovation w/o CD)
- 10% of items: -6% inflation (CD)
- True inflation = 2%, True growth = 2%
- Imputation for CD = $\frac{8}{9} \cdot 4\% + \frac{1}{9} \cdot (-6\%) = 2.9\%$
- Measured growth = 1.1%, Missing Growth = 0.9%

- Rather easy to estimate, subject to some (reasonable) assumptions
- Minimum requirement: data at the plant level (employment and date of birth/death)
- So far, France, Sweden, UK and Japan.
- US: 0.6 pp missed, France: 0.45 pp missed.

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Reference: Missing Growth from Creative Destruction, CEPR DP12431