

MOST ECONOMIC GROWTH COMES FROM CONTINUOUS IMPROVEMENT

Economic growth depends not only on labor, capital, and natural resources, but also on productivity—how efficiently those resources are used. Productivity increases through both creative destruction, as new firms and technologies replace older ones, and creative accumulation, as existing firms continuously improve their products and production processes. While creative destruction often receives the most attention, recent research suggests that most long-run productivity growth comes from creative accumulation. New firms remain important because they introduce new technologies and create the competitive pressure that encourages existing firms to continue innovating.



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Daniel Garcia-Macia is a macroeconomist at the International Monetary Fund whose research explores how innovation drives long-run economic growth. He earned his PhD in Economics from Stanford University and has published research in leading economics journals, including *Econometrica*. Garcia-Macia compares macroeconomists to detectives, piecing together clues from firm-level data to answer big questions about how economies grow. His research shows that most productivity growth comes not from startups replacing established companies, but from existing firms continually improving their products, processes, and technologies while responding to competitive pressure from new entrants. Learn more: “*How Destructive Is Innovation?*” 2019. *Econometrica*. [doi:10.3982/ECTA14930](https://doi.org/10.3982/ECTA14930)



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Huiyu Li is a Research Advisor in the Economic Research Department at the Federal Reserve Bank of San Francisco, where she studies productivity, innovation, and the forces that shape long-run economic growth. Her international academic journey spans Australia, Japan, and the United States—she attended high school in Australia, earned bachelor's and master's degrees in economics from the University of Tokyo, and completed her PhD at Stanford University. While Garcia-Macia's research explains where most productivity growth comes from, Li's research explains how those gains spread throughout the economy. She studies how successful innovations can be adopted across many factories, stores, and locations, allowing productivity gains to multiply and generate sustained economic growth. Learn more: “*Missing Growth from Creative Destruction.*” 2019. *American Economic Review*, 109(8). doi.org/10.1257/aer.20171745.

