## The Development Law of Personal Consumption in the United States and the Evolution of Personal Consumption Development Law

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**Abstract:** The development patterns and evolution of personal consumption in the United States exhibit multiple characteristics, including sustained growth, structural transformation, rational consumption trends, regional and demographic changes, technological and digital promotion, and policy and environmental impacts. These characteristics not only reflect the development status of the US economy and the changing trends of the consumer market, but also provide useful reference and inspiration for other countries and regions around the world.

**Keywords:** United States; The development law of personal consumption; The Development Law of Personal Consumption

### 1.The scale of the consumer market continues to expand

(1)Personal consumption expenditure maintains stable and rapid growth

Since 1992, personal consumption expenditure in the United States has maintained steady growth, with an average growth rate of 3.6% from 1992 to 2005. After deducting inflation factors, the actual amount of personal consumption expenditure increased by 59.2% from 1992 to 2005. Even during a slight economic recession from 2001 to 2002, personal consumption expenditure maintained growth of 2.5% and 2.7%. During the previous economic recessions in 1991, 1980, and 1974, personal consumption expenditure fell significantly to levels close to zero or negative growth, at 0.2%, -0.3%, and -0.8%, respectively. At the same time, the per capita consumption expenditure level has greatly improved. Calculated in US dollars month on month in 2000, the per capita consumption expenditure in the United States was 19208 US dollars per person in 1992, reaching 26476 US dollars per person in 2005, an increase of 38% compared to 1992.

2.The proportion of personal consumption expenditure to GDP increases

In 1959, the proportion of personal consumption expenditure to GDP in the United States was 62.3%, followed by a tortuous upward trend. The upward trend began to accelerate significantly in the 1990s, and by 2002, the proportion of personal consumption expenditure to GDP had exceeded 70%, reaching 70.2%. From then on, it remained at this level until 2005. Since the 1990s, the strong growth of personal consumption expenditure in the United States has mainly been attributed to the soaring asset prices, the decline in private savings rates, and the increase in consumer credit during the same period. Even at the end of the stock market bull market in 2000, due to low interest rates and rising borrowing levels, household consumption expenditure maintained steady growth during the economic recession from 2000 to 2001. Afterwards, tax cuts and further interest rate cuts came into effect, driving private consumption expenditure to continue growing at an average annual rate of 3.4% from 2001 to 2004. Meanwhile, the constantly rising property prices have also played a significant role in stimulating consumption.

### 2.Changes in the structure of personal consumption expenditure in the United States

After World War II, consumer credit in the United States rapidly developed, greatly increasing individual consumption of durable consumer goods. Consumer spending on durable goods has remained stable. The proportion of non durable goods consumption expenditure to total personal consumption expenditure has continued to decline. Since 1967, services have replaced non durable goods as the largest personal consumption expenditure item, and the proportion has been increasing year by year.

In terms of service consumption expenditure, the share of healthcare consumption expenditure has significantly increased. Since 1992, it has replaced residential expenditure as the largest service consumption expenditure item. The healthcare industry not only includes hospitals and clinics in general concepts, but also rehabilitation and nursing centers for the elderly and disabled, as well as home care services for the elderly. Therefore, with the development of an aging population in the United States, expenditures on healthcare have correspondingly increased. In addition, the increase in American income has also led to increased spending on healthcare.

**3. Rapid development of consumer credit**

The growth of consumer credit in the United States is synchronous with the growth of individual disposable income of residents, and increases with the continuous growth of personal income. Especially from 1993 to 2003, consumer credit in the United States maintained a steady and rapid growth rate, which was higher than the growth of personal disposable income during the same period.

After the war, the US government's policy and legal support for consumer credit business, as well as the development and popularization of information technology, laid a solid foundation for the development of consumer credit business. The improvement of the social security system and the significant increase in personal disposable income have provided conditions for the development of consumer credit. In addition, a significant reason for the rapid development of consumer credit in recent years is people's pursuit of maximizing household wealth and utility. Due to the increasing number of investment methods in the United States, with the help of consumer credit, residents can use excessive funds to invest in order to maximize household wealth.

**4.The wealth effect has a significant impact on consumption and savings**

According to the US President's Economic Report, over the past 15 years, personal consumption expenditure has grown faster than disposable income, while the personal savings rate has continued to decline, reaching -0.5% in 2005. This phenomenon largely stems from the wealth effect.

In the late 1990s and the past two years, the net wealth of American households grew strongly, and the ratio of consumer spending to personal disposable income also increased accordingly. From 1995 to 2000, mainly due to the high prosperity of the stock market, the ratio of household wealth to income increased significantly, reaching the highest level of disposable income in 6.15, which is much higher than the historical average. During the same period, the wealth effect drove the ratio of consumer spending to disposable income to a historic high. During the subsequent period of 2001-2002, the stock market foam burst, making the ratio of household wealth to income shrink significantly, and it was not until the third quarter of 2002 that it came out of the historical low. By the third quarter of 2005, the ratio of household net wealth to income had rebounded to the level of disposable income in 5.6 years, exceeding the historical average of 4.8. Among them, the utility of the stock market rebound accounts for almost half, and the remaining one-third comes from the net real estate wealth effect.

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