FIGURE II

Defense News Variable, 1913–2008

From 1939 to 2008, the variable is the annual counterpart of Ramey's (2011, Table II) measure of the present value of expected future nominal defense spending, expressed as a ratio to the prior year's nominal GDP. Values from 1913 to 1938 are rough estimates, described in Section III of the text. We use the defense news variable to measure $(g_t^* - g_{(t-1)}^*)/y_{t-1}$ in equation (1).