



Growlery

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GROWLERY

A Tale of Two Booms: The Longest Peacetime Expansion Was the 60s, Not the 80s

Not long ago there was a consensus that the U.S. economy's longest peacetime expansion took place over one hundred and five months, from February 1961 to November 1969.

But on December 19, 1988, President-elect George Bush, naming Jack Kemp to be his Secretary of Housing and Urban Development, called Kemp "a driving force in Congress" behind the 1981-83 tax cuts that produced "the longest economic peacetime expansion in our history." In his farewell address three weeks later, Ronald Reagan boasted that his economic policies had brought about "the longest peacetime expansion in our history." And on January 2, 1991, the Chairman of the Council of Economic Advisors, Michael Boskin, acknowledged that the country is in a recession "after the longest economic expansion in the peacetime history of the United States."

These near-identical phrases, referring to the ninety-three-month long upswing that began in November 1982, represent another neoconservative effort to rewrite history. It has been uncritically accepted by many economic and busi-

ness observers. On March 6, 1989, Joan Warner announced in *Business Week* ("A Kinder, Gentler Business Cycle?") that the boom of the 1980s was "already the longest peacetime expansion," noting that the record-breaking expansion of the 1960s owed its duration "in part to spending associated with the escalating Vietnam War." The emerging recession, Robert D. Hershey Jr. reported in *The New York Times* on November 3, 1990, signalled "the demise of the record peacetime expansion that began in 1982." In *The New York Times* eight days later, Leonard Silk agreed that the end had come for "the longest peacetime expansion, dating back to November 1982." Twice more Hershey cited "the longest peacetime expansion on record" (December 1 and December 29, 1990), adding on both occasions that had the boom continued to October 1991 it would have tied "the record 1961-69 expansion, which was spurred by spending for the Vietnam War."

If the expansion of the 1960s was driven in part by Vietnam outlays, can Ronald Reagan's \$2.2 trillion military buildup somehow be factored out of the boom of the 1980s?

Not for economic purposes. Here the question is the degree to which military spending stimulates the economy, whether it goes to fight hot wars or to prepare for them. As a proportion of the gross national product, military spending averaged 8.4 percent during 1961-1969 and 6.2 percent during 1982-1990. This means that the support the military gave the economy—the "safety net" it placed under the economy—was higher during the 1960s. But it does not follow that the *expansion* of the 1960s owed more to military dollars; that depends on *increases* in military spending relative to the overall GNP.

The following Table shows how the military share of total spending in the economy varied during the two booms; all figures represent percentages of the GNP accounted for by military spending (Gm/GNP):

	1961-1969	1982-1990
First year of expansion	9.0%	6.1%
Peak percentage	9.1% (1962)	6.6% (1986)
Lowest percentage	7.2% (1965)	5.7% (1990)
Last year of expansion	8.2%	5.7%

The different directions of military spending during the two booms are striking. In its first half, the expansion of the 1960s received much less support from the Pentagon, as Gm/GNP fell significantly from 1961–62 through 1965. By contrast, Gm/GNP rose steadily from 1982 through 1986—it actually reached 6.7 percent in mid-1986, and did not drop below 6.6 percent until the last quarter of 1987. Through 1986–87 the momentum coming from military spending was even stronger than these figures indicate: in January 1981, when Reagan took office, Gm/GNP was 5.3 percent.

Was the expansion of the 1960s carried along in its later stages by Vietnam-related outlays? The figures above show that it was, with the military share of GNP in 1969 a full percentage point higher than in 1965. But if the 1960s boom was prolonged by Vietnam, the 1980s boom would certainly have begun later than November 1982 in the absence of Reagan's ballooning military budgets. The July 1981–Novem-

ber 1982 recession was one of the two deepest since the Second World War, with unemployment reaching 10.8 percent and business fixed investment off more than 15 percent. Only military spending was growing vigorously during these months. As late as 1985 the chief economist for U.S. studies at Wharton Econometrics could state that "Defense spending increases probably provided the greatest momentum to growth in recent years. About 15 to 20 percent of the employment gains we've seen in the past three years are directly or indirectly due to defense spending" (quoted in *Business Week*, "Pentagon Spending is the Economy's Biggest Gun," October 21, 1985).

Another revisionist effort may be underway—the attempt to blame Saddam Hussein for the current recession, even though it appears that the economy was already weakening by August 1990. Stay tuned.

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VIEWPOINT

Baby Boomer Blues: Flight into Pathological Conservatism

Many political scientists and columnists have argued that the ideology of the United States has become more conservative over the past twenty-five years. Republicans have won five of the last six presidential elections. The progressive economic politics of the New Frontier and Great Society have been supplanted by Supply Side conservatism, and now, Country Club conservatism.

The fate of major social movements in the political arena also suggests that the environment for progressive change has atrophied. In contrast to the 1960s, when civil rights laws for blacks were enacted, during the 1970s and 1980s the Equal Rights Amendment failed ratification, and major challenges to reproductive freedom and to the First Amendment currently occupy

the political agenda. The 1990 presidential veto of the Civil Rights bill epitomizes the present mood. The center of the political spectrum appears to have drifted to the right.

Shifts in political ideology can be associated in a systemic way with changes in economic conditions. The post-World War II long wave of economic activity clearly shifted from its expansion phase in the 1950s and 1960s to its contraction phase in the 1970s and 1980s. The American dream experienced by baby boomer parents has become the American nightmare for baby boomers. A pathological economic environment has turned baby boomers from progressives to pseudo-conservatives.

Growth recession

Baby Boomers have experienced an economy mired in an extended "growth recession" during their prime earning years. Their parents, on the other hand, experienced an economy characterized by prosperity and expanding opportunities. During the 1950s and 1960s the United States economy grew at an annual compound rate of 3.75 percent, whereas the growth rate for the 1970s and 1980s was twenty-five percent lower, at 2.81 percent.

Using data from the 1960s, Arthur M. Okun ("Potential GNP: Its Measurement and Significance," in *Readings in Macroeconomics*, M.G. Mueller, ed., 1971) estimated the rate at which (GNP) had to grow to keep unemployment from increasing. The necessary rate was estimated to be about 3 percent per annum. A "growth recession" was defined as economic growth below the level required to keep the unemployment rate stable. On average, the 1970s and 1980s, with a compound growth rate for real GNP of 2.81 percent, was one long growth recession. The 1950s and 1960s, in contrast, with an economic growth