

ECONOMICS 10233
Introductory Macroeconomic
Recessions Since 1973

The five recessions since 1970 are outlined below. I have given each a descriptive name to make it easier to remember, but please note that I selected them more on the basis of what would be easy for you to remember than what caused the recession. For example, though it is indeed true that Paul Volcker caused the Aug 1981 to Nov 1982 downturn,¹ the Apr 2001 to Nov 2001 one was obviously almost over by September 11. The official dates for each were set by the National Bureau of Economic Research (www.nber.org). References to non-monetary numbers below are based on deflated data.

The Oil Shock Recession

Official Dates: Dec 1973 to Mar 1975.....16 months

Abbreviated Dates: 1974-1975

Cause: Contractionary monetary policy throughout 1973. In addition, real investment had already been declining since 1973:II, as had consumer durable goods spending. Fiscal policy also tightened during the recession.

Oil Shock II Recession

Official Dates:Feb 1980 to Jul 1980.....6 months

Abbreviated Dates: 1980

Cause: Investment starting slowing around second quarter of 1979 (after rising about 10%/year before that). Plus, tight monetary policy in the form of double-digit federal funds interest rates (starting in first quarter 1979) led to a collapse of investment and consumer durables spending.

¹ Please try not to get a recession named after you once you leave TCU—it could be really bad for recruiting.

The Volcker Recession

Official Dates: Aug 1981 to Nov 1982.....16 months

Abbreviated Dates: 1981-1982

Cause: Continued tight monetary policy led interest rates to reach historical highs, causing large declines in investment and consumer durables purchases.

Desert Storm Recession

Official Dates: Aug 1990 to Mar 1991.....8 months

Abbreviated Dates: 1990-1991

Cause: The expansion had not been terribly robust with an average rate of increase in investment of 3% for a little over six years before a fall in investment and consumer durable spending in 1989. Interest rates had actually declined somewhat and fiscal policy was continuing to be stimulative.

September 11 Recession

Official Dates: Apr 2001 to Nov 2001.....8 months

Abbreviated Dates: 2001

Cause: Incredibly long surge of investment (driven to a great extent by businesses purchasing computer technology) finally came to a close in 2000 (rate of change of consumer durable spending also turned negative). Fiscal policy, already contractionary, had turned increasingly so. Interest rates were extremely low, but did not help.

SUMMARY CHART

Cycle	Change in Real Investment Spending over Period	Avg Unemp	Avg real GDP growth rate	Average real wage & salary growth	Average real corp profit growth
expansion: 71-73	27.26%	5.47	5.24%	4.79%	15.55%
Oil Shock: 74-75	-14.25%	6.17	-2.47%	-4.56%	-9.29%
expansion: 76-79	51.92%	6.96	4.49%	3.23%	10.67%
Oil Shock II: 80	-8.71%	6.82	-3.28%	-7.35%	-47.66%
expansion: 80	5.42%	7.48	3.06%	1.49%	17.82%
Volcker: 81-82	-9.53%	9.08	-0.89%	-0.99%	2.15%
expansion: 83-89	41.25%	6.78	4.35%	3.67%	9.14%
Desert Storm: 90-91	-6.17%	6.14	-1.66%	-2.27%	6.20%
expansion: 92-00	102.88%	5.54	3.46%	3.31%	5.99%
September 11: 01	-4.11%	4.93	-2.47%	-2.21%	24.20%
expansion: 02-06:III	22.46%	5.45	3.07%	1.88%	13.67