by **Dan Barufaldi** (Contact Author | Biography)

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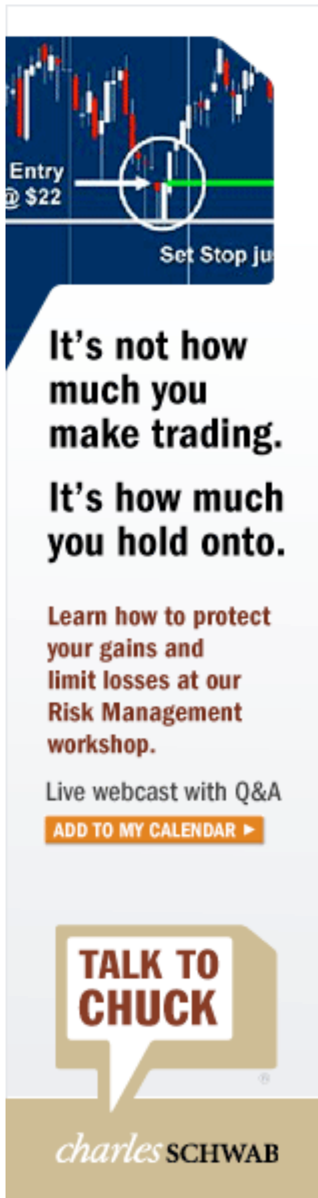
Did you know that there have been several recessions in the U.S. since the "Great Depression"? It's surprising to be sure, especially when you see these events covered in the media as one-time horrors.

Let's take a look at some of these recessions, how long they lasted, how they affected gross domestic product (GDP) and unemployment, and what is known about what caused them. (For more on this read, *What Caused The Great Depression?* and *The Crash of 1929 - Could It Happen Again?*)



What's a Recession?

A recession historically has been defined as two consecutive quarters of decline in GDP, the combined value of all the goods and services produced in the U.S. It differs from the gross national product (GNP) in that it does not include the value of goods and services produced by U.S. companies abroad or goods and services received in the U.S. as imports. (For more on this see, *The Importance of Inflation and GDP*.)

A more modern definition of a recession that's used by the National Bureau of Economic Research (NBER) Dating Committee, the group entrusted to call the start and end dates of a recession, is "a significant decline in economic activity spread across the economy, lasting more than a few months."

In 2007, an economist at the Federal Reserve Board (FRB), Jeremy J. Nalewaik, suggested that a combination of GDP and gross domestic income (GDI) may be more accurate in predicting and defining a recession.

The Roosevelt Recession: (May 1937 - June 1938)

- Duration: 13 months
- Magnitude:
  - GDP Decline: 3.4
  - Unemployment Rate: 19.1% (more than four million unemployed)
- Reasons and Causes: The stock market crashed in late 1937. Business blamed the "New Deal", a series of government-financed infrastructure work projects through the Works Projects Administration (WPA) and Civilian Conservation Corps (CCC). These camps provided work and room and board for more than 250,000 men. Government blamed a "capital strike" (lack of investment) on the part of business while "New Dealers" blamed cuts in WPA funding. The first Social Security Insurance deductions pulled $2 billion out of circulation at this time.

The Union Recession: (February 1945 - October 1945)

- Duration: 9 months
- Magnitude
  - GDP Decline: 11
  - Unemployment Rate: 1.9%
- Reasons and Causes: The tail-end of World War II, the beginning of demobilization of military forces and the slow transition to civilian production marked this period. War production had virtually ceased and veterans were just beginning to re-enter the workforce.

It was also known as the "Union Recession" as unions were beginning to reassert themselves. Minimum wages were on the rise and credit was tight.

The Post-War Recession: (November 1948 - October 1949)

- Duration: 11 months
- Magnitude
  - GDP Decline: 1.1
  - Unemployment Rate: 5.9%
- Reasons and Causes: As returning veterans returned to the workforce in large numbers to compete for jobs with existing civilian workers who had entered the workforce during the war, unemployment began to rise. The government's response was minimal as it was much more worried about inflation than unemployment at that time.

The Post-Korean War Recession: (July 1953 - May 1954)

- Duration: 10 months
- Magnitude:
  - GDP decline: 2.2
  - Unemployment Rate: 2.9% (lowest rate since WWII)
- Reasons and causes: After an inflationary period that followed the Korean War, more dollars were directed at national security. The Federal Reserve tightened monetary policy to curb inflation in 1952. The dramatic change in interest rates caused increased pessimism about the economy and decreased aggregate demand.

The Eisenhower Recession: (August 1957 - April 1958)

- Duration: 8 months
- Magnitude:
  - GDP Decline: 3.3%
  - Unemployment Rate: 6.2%
- Reasons and Causes: The government tightened monetary policy to years prior to the recession to curb inflation, but prices continued to rise in the U.S. through 1959. The sharp world-wide recession and the strong U.S. dollar contributed to a foreign trade deficit. (For another view on trade deficits read, *In Praise of Trade Deficits*.)

The "Rolling Adjustment" Recession: (April 1960 - February 1961)

- Duration: 10 months
- Magnitude:
  - GDP Decline: 2.4
  - Unemployment Rate: 6.9%
- Reasons and Causes: This recession was also known as the "rolling adjustment" for many major U.S. industries, including the automotive industry. Americans shifted to buying compact and often foreign-made cars and industry drew down inventories. Gross national

product (GNP) and product demand declined.

The Nixon Recession: (December 1969 - November 1970)

- Duration: 11 months
- Magnitude:
  - GDP Decline: 0.8
  - Unemployment Rate: 5.5%
- Reasons and Causes: Increasing inflation caused the government to employ a very restrictive monetary policy. The structure of government expenditures added to the contraction in economic activity.

The Oil Crisis Recession: (November 1973 - March 1975)

- Duration: 16 months
- Magnitude:
  - GDP Decline: 3.6
  - Unemployment Rate: 8.8%
- Reasons and Causes: This long, deep recession was brought on by the quadrupling of oil prices and high government spending on the Vietnam War. This led to "stagflation" and high unemployment. Unemployment finally reached 9% in May of 1975. (For more on this see, *Stagflation, 1970s Style*.)

The Energy Crisis Recession: (January 1980 - July 1980)

- Duration: 6 months
- Magnitude:
  - GDP decline: 1.1%
  - Unemployment Rate: 7.8%
- Reasons and Causes: Inflation had reached 13.5% and the Federal Reserve raised interest rates and slowed money supply growth, which slowed the economy and caused unemployment to rise. Energy prices and supply were put at risk causing a confidence crisis as well as inflation.

The Iran/Energy Crisis Recession: (July 1981 - November 1982)

- Duration: 16 months.
- Magnitude:
- GDP decline: 3.6%
- Unemployment Rate: 10.8%
- Reasons and Causes: This long and deep recession was caused by the regime change in Iran; the world's second largest producer of oil at the time, the country came to regard the U.S. as a supporter of its ousted regime. The "New" Iran exported oil at inconsistent intervals and at lower volumes, forcing prices higher. The U.S. government enforced a

tighter monetary policy to control rampant inflation, which had been carried over from the previous two oil and energy crises. The prime rate reached 21.5% in 1982.

The Gulf War Recession: (July 1990 - March 1991)

- Duration: 8 months
- Magnitude:
  - GDP Decline: 1.5
  - Unemployment Rate: 6.8%
- Reasons and causes: Iraq invaded Kuwait. This resulted in a spike in the price of oil in 1990, which caused manufacturing trade sales to decline. This was combined with the impact of manufacturing being moving offshore as the provisions of North American Free Trade Agreement (NAFTA) kicked in. The leveraged buyout of United Airlines triggered a stock market crash.

The 9/11 Recession: (March 2001 - November 2001)

- Duration: 8 months
- Magnitude
  - GDP Decline: 0.3
  - Unemployment Rate: 5.5%
- Reasons and Causes: The collapse of the dotcom bubble, the 9/11 attacks and a series of accounting scandals at major U.S. corporations contributed to this relatively mild contraction of the U.S. economy. In the next few months, GDP recovered to its former level. (For more information, read *Crashes: The Dotcom Crash*.)

Conclusions
So what do all these very different recessions have in common? For one, oil price, demand and supply sensitivity appear to be consistent and frequent historical precursors to U.S. recessions. A spike in oil prices has preceded nine out of 10 post-WWII recessions. This highlights that while global integration of economies allows for more effective cooperative efforts between governments to prevent or mitigate future recessions, the integration itself ties the world economies more closely together, making them more susceptible to problems outside their borders. Better government safeguards should soften the effects of recessions as long as regulations are in place and enforced; better communications technology and sales & inventory tracking allows businesses and governments to have better transparency on a real time basis so that corrective actions are made to forestall the accumulation of factors and indicators contributing to or signaling a recession.

More recent recessions, such as the housing bubble, the resulting credit crisis and the subsequent government bailouts are examples of excesses not properly or competently regulated by the patchwork of government regulation of financial institutions. (For another perspective on credit crisis, see *The Bright Side of The Credit Crisis*.)

Contraction and expansion cycles of moderate amplitude are part of the economic system. World

events, energy crises, wars and government intervention in markets can affect economies both positively and negatively, and will continue to do so in the future. Expansions have historically exceeded previous highs in economic growth trends if capitalist fundamentals applied within regulatory guidelines govern the markets.

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