

# The 1990s as a Postwar Decade

Peter Temin

MIT

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## The 1990s as a Postwar Decade

I argue here that the 1990s should be seen as a postwar decade. This description helps to explain some characteristics of the decade and suggests some lessons for today. Charles Feinstein, Gianni Toniolo and I published a paper a decade ago along similar lines, focusing on three postwar decades. We looked ahead at the 1990s and asserted that it would be a postwar decade like those after the two world wars, coming as it did after the end of the Cold War. The question was whether it would resemble the prosperous aftermath of the Second World War or the parlous aftermath of the First. The 1990s have now passed into history, and I can answer some of the questions we posed a decade ago in anticipation.

I cannot yet answer them all. The 1990s had aspects of both the 1920s and the 1950s; it is hard to say unambiguously that it looked like one or the other. In three important ways, however, the 1990s recapitulate the 1920s in the US: the unsustainable boom in stock prices, international capital flows, and income distribution. This similarity is worrisome, but not enough to predict the future. Even though the 1930s began with many unresolved problems, the Great Depression was not inevitable; it resulted from the mismanagement of these problems. The question for today is how well policy makers can deal with the problems we can foresee today. The magnitude of current problems, however, suggests they are more like those of the 1920s than of the 1950s. I explore two current policies of international relations that were important also in the 1920s: international trade in agricultural goods and exchange-rate policies.

The organization of this paper is as follows. I first review the earlier paper and note the dimensions of economic affairs it discussed. I then update these comparisons

with new data from the 1990s, dividing the surveyed areas into those that pose challenges and those that suggest solutions. Finally, I try to peer into my crystal ball.

## I

We started off our earlier paper with the assertion that the end of the Cold War produced a major shock to the world economy. The world wars of the 20<sup>th</sup> century ended decisively with dramatic changes of governments on the losing sides; the end of the Cold War was similarly sudden and dramatic. The result was a massive reordering of government priorities on both sides, a reduction in military spending, and attention to a new set of national and international issues. Our argument was that governments responded far better to the new issues after the Second World War than after the First.

The primary index of the shock to the world economy was the decline in military expenditures. In the First World War, Germany spent over half its national product on the war at the war's peak; Britain, 40%; the US, 13%. In the Second World War, Germany and Russia spent a peak level of three-quarters of their national product on the war, while Britain, Japan, and the US spent about half. Military expenditures in the Cold War were not nearly as large relative to national products, but they declined sharply after 1989 (Feinstein, et al., 1994).

Defense spending in the United States fell from over five percent of GDP in the 1980s to less than four percent in the 1990s (US BEA, NIPA Tables 1.1, 3.16). This does not seem like a large shock, but it was not much smaller than the shocks after the World Wars. The United States did not spend much on the First World War relative to its national product, and it continued to spend on the military after the Second as it became involved with Korea. Military spending now also is more concentrated than in the early

20<sup>th</sup> century both regionally and industrially, and reductions had more concentrated effects (Brauer and Marlin, 1992). While the fall in actual spending was not large, it had a large effect on people's attitudes. The end of the Cold War and the US victory were seen as epochal events, giving rise to such vain boasts as Fukuyama's, *The End of History* (1992).

We looked at disruptions of various markets in the aftermath of the World Wars. International monetary arrangements had to be recreated, over the course of half a decade after the First World War and more quickly after the Second. In each case, exchange-rate stability was the goal of post-war planners. World agricultural markets also had been stressed during the wars, and the dramatic change in transport costs after the war flooded the world with cheap grains and other products. Trade arrangements disappeared or were refashioned beyond recognition.

Our paper was written at the start of the 1990s, and it therefore contained a high ratio of speculation to data. This paper comes a decade later, and I hope to redress this balance. I surveyed half a dozen aspects of the economy to search for parallels and differences between the 1990s on the one hand and the 1920s and 1950s on the other. The dimensions are: the stock market and its interpretations, international capital flows, the distribution of income, international trade, and exchange-rate policies.

## II

An obvious parallel between the decades is shown in Figure 1. I show there the progress of the Dow-Jones Industrial Average over the three decades. The most obvious point is that the rises were all but indistinguishable in these three postwar decades. There have been many reasons given for the stock market to rise that way, and I will discuss a

few of them, but surely one good reason is the end of a major war. This kind of climactic event is liable to give rise to a decade of euphoria, and it seems to have done so in each of these decades.

The euphoria of the 1920s is well known for the irony of history. President Calvin Coolidge bid adieu to Congress at the end of 1928 with the statement that, “The requirements of existence have passed beyond the standard of necessity into the region of luxury (Coolidge, 1928).” Thomas Lamont, Secretary of the Treasury under Hoover, agreed in September, 1929: “Not only has there been, since 1921, an unusually prolonged period substantially free from so-called crises ... this result must be attributed to greater foresight on the part of business men producing and selling commodities as well as on the part of buyers of goods (Angly, 1931, 4).” And, of course, Irving Fisher agreed in October, 1929: “Stock prices have reached what looks like a permanently high plateau. I do not feel there will soon, if ever, be a fifty or sixty point break below present levels (Angly, 1931).”

The postwar prosperity after the Second World War is remembered with more fondness. The spread of roads, suburbs, and hospitals, changed the landscape of the country. The demographic reaction from the Depression and war gave rise to the baby boom that now haunts our budget projections for Medicare and Social Security. New international organizations and new exchange-rate regimes provided hope for economic and political security. These hopes were modified by the Korean War, but not dashed as the United States and Europe continued to expand economically. Even postwar Germany recovered quickly from a temporary currency problem (Temin, 1995).

The 1990s opened with a ringing announcement of the opportunity before us. The end of the Cold War may not have had the emotional appeal of the War to End All Wars, but it echoed the sense of a new dawn. As in 1919 and 1945, the political map was redrawn. Leaders of old countries needed to formulate policies to deal with new and newly constituted countries. President H. W. Bush began his State of the Union Speech in January, 1991, by noting that, “The end of the cold war has been a victory for all humanity.” He closed the speech by speaking of a “new world order” (Bush, 1991a). He extended these themes in another speech to Congress on March 6, 1991: “Twice before in this century, an entire world was convulsed by war. Twice this century, out of the horrors of war hope emerged for enduring peace. Twice before, those hopes proved to be a distant dream, beyond the grasp of man. ... Now, we can see a new world coming into view. A world in which there is the very real prospect of a new world order (Bush, 1991b).”

Accompanying the new world order, the apparently inexorable rise of the stock market was heralded in the US as the sign of a “new economy.” The symbol of the new economy was Information Technology (IT) or Information Communication Technology (ICT). The growth of the Internet and of computer ownership went hand in hand, giving rise to new ways of doing business and improving the operations of older practices (Lamoreaux, et al., 2003). In the language of economics, this became a General Purpose Technology, transforming a wide range of economic activities (Helpman, 1998). In the language of the street, it became simply technology, as in the description of the late stages of the stock-market rise as a technology bubble.

Alan Greenspan stated the optimism of the decade well:

When historians look back at the latter half of the 1990s a decade or two hence, I suspect that they will conclude we are now living through a pivotal period in American economic history. New technologies that evolved from the cumulative innovations of the past half-century have now begun to bring about dramatic changes in the way goods and services are produced and in the way they are distributed to final users. Those innovations, exemplified most recently by the multiplying uses of the Internet, have brought on a flood of startup firms, many of which claim to offer the chance to revolutionize and dominate large shares of the nation's production and distribution system (Greenspan, 2000).

The new economy of the 1990s has echoes of the new economy of the previous postwar decades. The boom of the 1920s was labeled as the coming of a new economy by its participants. As in the 1990s, the defining innovation was a means of communication: the radio. More importantly for growth of the economy was the spread of electric motors. Electricity of course had been discovered long before the 1920s, but its effect on the economy took several decades. Paul David (1991) argued that this delay was to be expected. If an electric motor simply replaced a steam engine, there would be only a small effect on productivity. If however a factory was reorganized to take advantage of separate motors at each machine, replacing a central steam engine, then more gains were to be expected. But this reorganization could not take place as soon as electricity became available. There was an inevitable delay while people absorbed the implications of the innovation and then reorganized activities accordingly.

The decade following the Second World War may be thought of as adapting to the automobile. This is a consumer good rather than a producer good, but it transformed a system nonetheless. The analogue of new factory layout was the federal highway system, constructed after the war ended. It gave rise to new suburban locations, symbolized forever as Levittown. And it gave rise, in an exuberant response to the release from wartime shortages, to great the gas-guzzling, finned cars of the 1950s (Offer, 1998).

It is possible that the boom of the 1990s was due to similar causes. Personal computers became available in the 1970s, and there was lots of talk of the “paper-less office.” But the spread of computers was slow. More importantly, business practice was not altered in response to the initial availability of distributed computing power. Only after people began to understand what computers can and cannot do did they reorganize their business activities. The boom of the 1990s may have been the result.

The timing, I suggest, also was related to the war. In the First World War and the sharp recession that followed, industrial construction was reduced. The adoption of new plans incorporating electric motors therefore was not smooth. The interaction with war meant that the new factories adapted to electricity were opened in something of a rush in the 1920s. In the Second World War, automobile production halted as the manufacturing sector was directed toward wartime production. Only after the war did the automobile achieve its widespread influence on the economy, leading to highways, suburbs, and related construction. Something similar may have happened with computers. Progress was slow as long as the attention of computer scientists and related professions were directed toward the Cold War, and peacetime uses of computers were slighted. With the end of the Cold War, the Internet and other advances could burst into full flower.

I have continued the lines in Figure 1 beyond the end of the decade, to suggest that the period of euphoria and rising expectations has not typically lasted more than a decade. In all three cases, the advances of the postwar decades were checked at the decade’s end. In the continuing prosperity of the 1960s, the pause in the growth of the stock market was barely noticed. In the Depression of the 1930s, the fall in the stock market was not only noticed, but accused of causing the Depression. In our time, the

stock pause has not gone on long enough to tell us where it is going, although most people now are optimistic. They appear to be getting more optimistic day by day as the stock market climbs out of its low point, but only time will tell.

Stiglitz is an exception to this resumed optimism, characterizing the decade of the 1990s as a replay of the excesses of the 1920s and anticipating the worst now. He argues that finance has become the new center of attention in the economy and that the bubble in the stock market was both cause and effect of changes in the economy as a whole. The link between General Motors and the economy that was proclaimed in the aftermath of World War Two has now been replaced by the link between Goldman Sachs and the economy. Stiglitz decries this view, along with many specific policies, and argues that it gave rise to a boom and bust at the end of the Cold War (Stiglitz, 2003, pp. 275-76).

A second parallel with the end of World War One is in the extent of capital flows among rich countries. A lot has been written about the decline and rise of globalization in the early 20<sup>th</sup> century (Obstfeld and Taylor, 2003; Temin, 1999). But there were extensive capital flows in the 1920s, in the aftermath of World War One. The magnitude of these postwar flows is shown in Table 1, where I have shown the international capital flows between the largest lenders and borrowers of the 1920s. The countries shown in Table 1 accounted for over 85 percent of the total estimated world capital flows.

The biggest lender was the United States, and the largest borrower was Weimar Germany. Given the magnitudes, it is clear that most of these capital flows consisted of lending by the US to Germany. “[F]or a while it seemed that there was no limit to the appetite of American issuing houses and their investors for German bonds, regardless of the purposes for which the loans were raised, or for the interest to be earned from placing

money on short-term deposit with German banks (Feinstein and Watson, 1995, 115).”

This flow gave rise to an imbalance in the international payments system that could not be sustained. Ritschl (2003) argued that the Germans knew this rate of international borrowing could not be sustained, that they borrowed in full knowledge that they would not pay back the loans.

In the 1990s, the United States was the great borrower, not the great lender. Some relevant data appear in Table 2. The similarity with the 1920s is that there were large capital flows to a leading industrial economy that was going on a spending spree and absorbing savings from outside its borders. The difference, of course, is that the large borrower is different. The United States appears to be absorbing savings from around the world, although chiefly from Japan. This international imbalance cannot continue forever; it is like the imbalance of the 1920s. The question that then arises is whether the United States, like Ritschl’s Germany, may be borrowing in bad faith.

In any case, large capital movements to rich countries create an imbalance that will have to be corrected. Will this be by a soft or hard landing? We have examples of both types. The parallel with postwar decades suggests that the Great Depression, the mother of hard landings, is the only way to resolve such an imbalance. But the experience of the United States in the 1980s, after the Reagan spending spree, suggests that soft landings are perfectly feasible.

The third parallel is in the distribution of income in the world’s largest economy. The data are striking. The highly unequal incomes of the 1920s were followed by a great compression during the tumultuous years that followed. And incomes have been approaching 1920s levels of inequality again today. I compare the distribution in the

United States for the 1920s, 1950s and 1990s in the first column of Table 3. I have selected only one index among many for simplicity and comparability; the picture is the same no matter how you slice the data, and of course the sources give far more detail.

The richest one percent of the American population earned about 20 percent of the total in the 1920s, but only about ten percent in the 1950s. This share has risen to about 15 percent in the 1990s with a rising trend. For comparison, the richest decile of the American population earned 40-45% of total income in the 1920s. In the 1950s this number was about 32%, and in the 1990s, it was again about 40% (Piketty and Saez, 2003). The size of the income share of the richest groups clearly has varied widely, and much of the change can be explained by trends that reach over a longer period of time.

The U.S income inequality began shrinking in the 1930s and reached its nadir about 1968. It has been increasing more or less since then. The long run increase in income inequality is explained by changes in the labor market and the household composition. There has been a shift in employment opportunities away from the manufacturing sector, which earlier provided high wage opportunities for unskilled labor, to the service sector. This development has been driven by technological progress and by globalization, including both the immigration of low skilled labor and the outsourcing of some jobs. The demand for high skilled workers has risen, and a gap between those with higher and lower education has emerged. Other factors contributing to this gap are a decline in the proportion of workers belonging to unions, a decline in the real value of the minimum wage, increasing use of temporary workers and increasing need for computer skills. Economists tend to see biased technical change at the bottom of this process, while more popular observers see globalization (Collins, 1998).

Another other big factor is changes in living arrangements. Divorces, separations, births out of wedlock and the increasing age at first marriage have lead to a shift away from married couple households toward single parent and non-family households, which typically have lower incomes. Also the increasing tendency for men with higher earnings to marry women with higher earnings has contributed to widening the gap between high-income and low-income households (Weinberg, 1996).

A comparison with other OECD countries must, however, weaken some of the above explanations because they should apply to all these countries (Gottschalk, 1997). Since 1970 the growth in inequality in the US has been considerably greater than in all other OECD countries except the UK. This difference is suggested in the other columns of Table 3 which show income distributions for the UK, the Netherlands, and France. The decline in the income share of the top one percent between the 1920s and the 1950s is clear in all three countries. The subsequent rise appears in the UK data, but not in the Dutch or French data. In fact, the share of the top one percent in Dutch income continued to decline after the 1950s.

Returning to similarities between the 1920s and the 1990s and looking at the growth of the US top income share instead of at its relative size, we see that there is increasing inequality in both periods. There could be similar forces driving these trends, since we don't know if inequality in the 1990s was increasing for the same reasons as in the 1970s or 1980s, and the 1920s was not part of a longer period with rising inequality, so they stand out compared to other periods. Keller (1973) argued that the 1920s stood out from all other decades in the twentieth century (before the 1990s) because capital's share of income increased. This was due to growth in a few capital-intensive industries

that made an impact on income distribution. The trend today owes something to technology and something to tax policies. There is no increasing trend in the 1920s or 1990s in the French and Dutch data. There is an increasing trend in the 1990s in the UK.

Continuing in this list of similarities with earlier postwar decades, I look at international trade in agriculture. As noted in our earlier paper, the world market for agricultural goods was disrupted by the war and characterized by oversupply in the 1920s. This led to economic distress among agricultural exporters and protection among importers. A similar development took place in the 1990s. The end of the Cold War, coupled with great technological progress in agriculture, resulted in an increased supply of basic grains and fibers. In a free world market, trade would have increased and prices fallen.

This of course is not the history of the last decade. The OECD countries have protected their native agriculture at great cost, not allowed consumers to enjoy the fruits of international specialization in this part of the economy. The vehicles for this protection were the programs of agricultural support built up in the aftermath of World War Two. The US expanded its agricultural supports that had been initiated in the Depression and fallen into disuse in the prosperity of the war. The European countries constructed their Common Agricultural Policy (CAP), which has been used to protect their farmers. The contrast between the UK response to increases in world agricultural supplies in the late 19<sup>th</sup> century and in the late 20<sup>th</sup> century is quite remarkable. The cost of this agricultural protection has grown to be vast.

Total costs of agricultural supports for a few countries are shown in Table 4. The United States spent just under \$100 billion a year supporting its agriculture, while the EU

spent over \$100 billion each year for the same purpose. These supports do not go equally to each farmer, but it gives an idea of their outsize magnitude by calculating the average subsidy per farmer in the US and EU. The agricultural labor force in the US is about 3.2 million, making the average subsidy for everyone working on American farms close to \$30,000. This is an amazingly large distortion in the American economy, and a massive distortion to world agricultural markets as well. The agricultural labor force in the old EU (omitting recent additions in Eastern Europe) is 8 million, making the average subsidy only \$12,500. This is a smaller distortion for each farmer, but of course there are many more of them. One observer has called these supports the “great trade robbery” (Sharma, 2003).

Some of the costs to less developed countries were revealed in the recent collapse of the WTO talks in Cancun. The issue on which the talks faltered was trade in cotton fibers. This largely tropical crop is not grown at all in Europe, although it is grown extensively in the southern and western US. The Europeans saw it as the camel’s nose entering into the CAP tent and opposed the reduction of support programs vigorously. The US had the luxury of standing on the sidelines while looking out for its own farmers. The result was that the march toward free international trade that has been progressing since World War Two has screeched to a halt.

The misallocation of resources may be even larger than is shown by market activity. The high level of agricultural support in the United States promotes agriculture, which uses water. The result has been a rapid depletion of the Ogallala aquifer that underlies the Great Plains. If we considered the true social cost of producing cotton in the American West, we should tax it instead of subsidizing it. It is hard to know how to

value this cost and set a tax level for two reasons. First, the water problem is a non-market cost, we need to discover a way to value it. Many Cassandras predict an agricultural collapse, while other economists recall earlier Cassandras and dismiss these predictions of doom. Second, agriculture is depleting water supplies and underground aquifers all over the world. It is hard to know how much the geographic misallocation of agriculture due to subsidies in advanced countries affects the world's water supplies (Easterlin, 1996, Chapter 11; Glennon, 2002; Brown, 2003).

Is the distortion of agricultural markets a problem? Kindleberger argued in his classic history of the Great Depression that the collapse of agricultural cartels in the late 1920s was an important cause of the economic collapse. They were part of the general deflation that heralded the fall in aggregate demand. There is a problem with this argument, for agricultural prices are only one component of the general price level. A fall in agricultural prices therefore is a decline in a relative price, not the aggregate price level. How could a change in relative prices have a macroeconomic effect?

Kindleberger asserted that agricultural exporters, typically poor countries, were constrained by their loss of farm income to reduce their expenditures. Agricultural importers, typically industrial countries, should have expanded by the increase in their real incomes, but they did not. Why not? Kindleberger appealed first to money illusion and then to the delay with which consumers would realize their incomes had risen and adjust their spending, a delay that might be very long indeed if tariffs or quotas were imposed to cushion the effect of low prices on domestic farmers (Kindleberger, 1986, 91). We might add tight monetary policies to this list. A recent paper places the fall in

agricultural prices as the primary cause of the Great Depression, albeit indirectly through a fog of econometric exercises (Madsden, 2001)

There does not appear to be the same risk at the end of the 1990s as there was at the end of the 1920s for the simple reason that private cartels have been replaced by government ones. The sub-text of the Cancun conference was that the OECD governments were not about to relinquish their agricultural supports, no matter how distortionary they are or how much harm they do to the rest of the world. Domestic politics, strongly affected by the allocation of representatives during a former era when agriculture was important, trumps all. The importance of agricultural trade for this paper is how little interest there is in reforming a bad economic policy.

On the other hand, the depletion of the water supplies and other resources may be a problem. There is no parallel with other postwar decades because the world economy has been growing steadily, if a bit unevenly, over time. We were consuming less than the capacity of global biosphere in earlier postwar decades, but we reached its limit in the 1980s. During the decade of the 1990s, the world consumed above the capacity of the global biosphere, that is, it consumed the inherited capital of the planet. Pumping of irreplaceable aquifers is only the most easily understood example of this consumption of capital. A collection of scientists estimated that consumption had risen to 120 percent of the global biosphere's capacity by 1999. Their conclusion was summarized in a graph that shows an irregularly rising line labeled "Number of Earths Used by Humanity" set against a horizontal line at 1.00 labeled "Number of Earths Available." The first line crosses the second around 1980 and remained above it in the 1990s (Wackernagel, et al., 2002). Unlike the problems of agricultural trade, the problems of agricultural production

are risky and worrisome. They might even appear in retrospect as the most serious problems of the 1990s.

Exchange rate chaos was characteristic of the early 1920s. There were floating exchange rates left over from the war, and most European countries found it hard to return to fixed rates. This was due only partly to the conviction of the gold standard that fixed rates had to be unaltered from before the war. France, which disregarded this convention, took until 1926 to stabilize its currency. There were of course hyperinflations during this period, and contemporary economists blamed floating exchange rates for these excesses. Planners aimed to avoid this kind of chaos after the Second World War, and the Bretton Woods system offered stable exchange rates without writing them in stone. When even that amount of flexibility did not appear to be enough to avoid problems in the postwar reconstruction, the Europeans were allowed to form the European Payments Union that promoted trade among its members while limiting payments to the United States. The result was to create a floating shadow price of dollars in Europe, considerably above the official exchange rate. This was known at the time as the dollar shortage.

The European Union has spent the 1990s trying to recreate something very much like the European Payments Union. There are fixed exchange rates within Europe, that is, within the euro zone that includes much of continental Europe. But the exchange rate with the United States is not fixed. There is no official price of dollars and therefore no explicit dollar shortage. Instead, the price of dollars is allowed to float, and a “dollar shortage” in the 1990s was simply a rise in the value of the dollar. The euro zone has

created problems reminiscent of the 1920s within Europe, but kept the flexibility vis-à-vis the United States of the 1950s.

### III

I have shown that the 1990s has lived up to its advance billing as a postwar decade. It has shown some of the same kinds of excesses and some of the same kinds of disequilibria. Postwar exuberance showed most clearly in the US stock market. Disequilibrium shows most clearly in the sustained capital flows between industrialized countries. The question of course is how long these trends of the 1990s can endure.

Stein's Law (from Herbert Stein, chairman of Nixon's Council of Economic Advisers) was designed for such a problem; it states: "Things that can't go on forever, don't." This "law" appears designed for the current trend in the international location of savings and spending—and possibly for the total volume of consumption as well. If we assume that a correction will have to take place, then we come to the critical question. Will it be a hard landing, like the Great Depression? Or will it be a soft landing, like the conversion of the dollar surplus into the dollar glut.

I cannot claim to know the future. In the short run, it seems that the flexible dollar will allow the United States to have a soft landing, as it did in the 1980s when it had the same kind of deficits in the federal budget and the balance of payments. Those of us who like to purchase imported cars or travel abroad will notice the change in price, but there will be no threat of financial meltdown or international crisis. As in the 1980s, however, the soft landing may be dependent on a change in American policy that signals a reversal of the disequilibrium trend. We will have to wait until the next presidential election to know if that is even a possibility in the near future.

Table 1

Capital Flows, 1924-30, of the Largest Lenders and Borrowers

(millions of US dollars)

Country	Credits	Debits
US	5,250	
UK	1,300	
France	1,340	
Germany		4,190
Australia		1,310
Argentina		770
Austria		860
Italy		710
Total	9,060	9,060

Source, Feinstein and Watson, 1995, Tables 3.3, 3.4.

Table 2

Capital Flows, 1990-99, of the Largest Lenders and Borrowers

(billions of US dollars)

Country	Credits	Debits
Japan	994	
China	232	
Switzerland	193	
France	143	
Singapore	107	
Italy	76	
US		1,169
UK		180
Australia		153
Germany		125
Total	1,745	1,627

Source: *International Financial Statistics* (IMF) <http://libraries.mit.edu/get/ifs>. Flows calculated as the balance on goods, services, income, and transfers.

Table 3

Income shares of the top one percent of the population (percent)

Year	US	UK	France	The Netherlands
1918		19.24		
1919		19.59		
1920	14.46		17.95	20.59
1921	15.47		17.32	18.29
1922	16.29		17.87	16.84
1923	14.99		18.91	16.48
1924	16.32		17.96	17.36
1925	17.60		18.16	17.78
1926	18.01		17.82	18.00
1927	18.68		17.45	18.37
1928	19.60		17.27	18.63
1929	18.42		16.15	18.09
1950	11.36		8.98	12.05
1951	10.52	10.89	9.00	
1952	9.76	10.20	9.16	12.43
1953	9.08	9.72	9.00	11.79
1954	9.39	9.67	9.14	11.65
1955	9.18	9.30	9.33	11.21
1956	9.09	8.75	9.37	
1957	8.98	8.70	9.37	10.54
1958	8.83	8.76	9.01	11.48
1959	8.75	8.60	9.46	10.59
1990	12.98	9.80	8.23	5.48
1991	12.17	10.32	7.97	5.48
1992	13.48	9.86	7.75	5.43
1993	12.82	10.36	7.65	5.20
1994	12.85	10.60	7.71	5.29
1995	13.33	10.77	7.70	2.34
1996	13.85	11.88	7.57	5.36
1997	14.32	12.06	7.76	5.43
1998	14.58	12.54	7.76	5.27
1999		12.99		5.36

Sources: Atkinson, 2002; Atkinson and Salverda, 2003; Piketty, 2001; Piketty and Saez,

2003.

Table 4

## Agricultural Supports by the US and EU (\$ billions)

Year	United States	European Union
1990	71.4	132.8
1991	75.6	153.6
1992	80.9	147.2
1993	86.0	128.3
1994	80.6	128.7
1995	70.5	145.9
1996	77.2	140.2
1997	76.3	127.2
1998	91.3	132.7
1999	99.5	128.9
2000	92.8	100

*OECD: Total support estimate by country, US billion 2001 \$.*  
<http://www.oecd.org/dataoecd/2/18/4420681.XLS>.

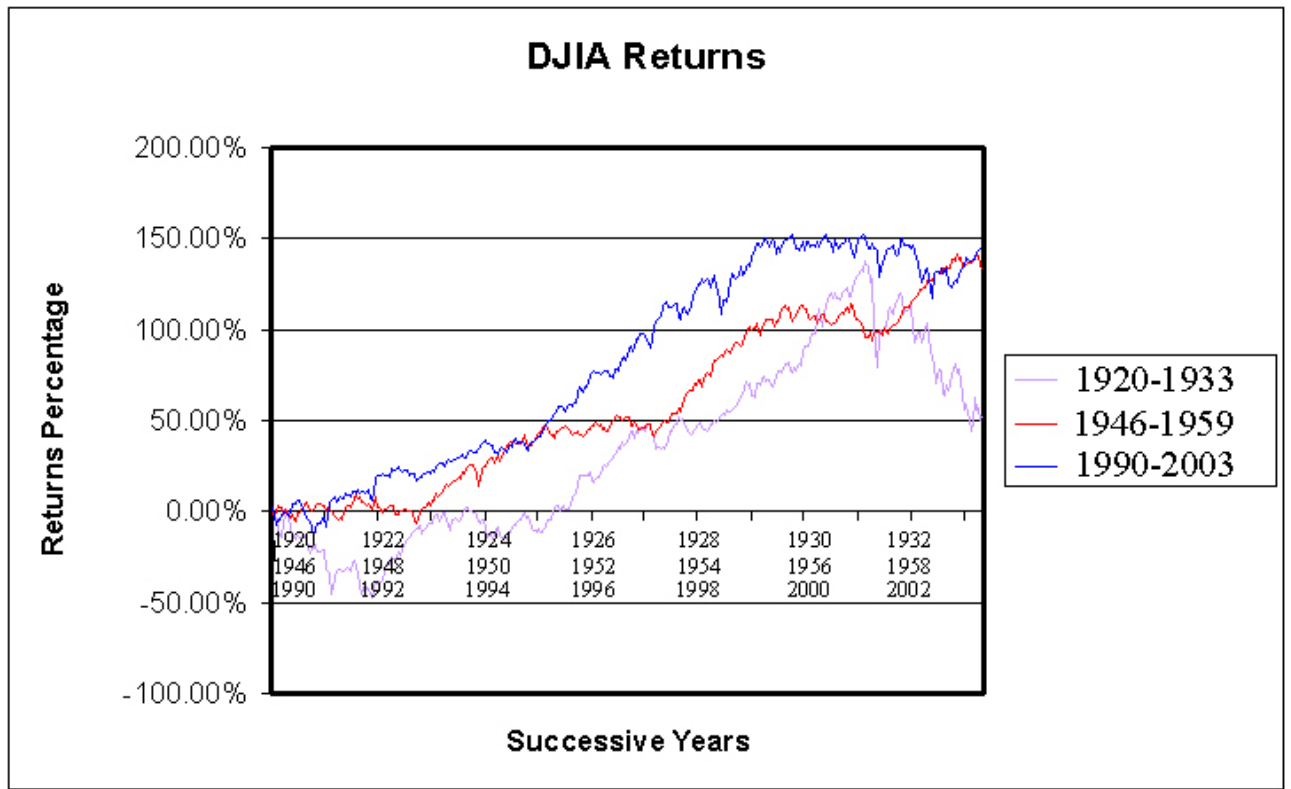


Figure 1

Source: Dow Jones Industrial Average (Intraday Data), <http://www.globalfindata.com>.

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