Business cycles in american history

History

The United States has experienced several business cycles throughout its history. These business cycles have had several implications, and there have been several lessons to learn from them. Studies analyzing the business cycles since the Civil War through World War II and since World War II to the present day have uncovered intriguing implications of the business cycles in the U. S. One of the most prominent of these is the subtle but definite connection between the business cycles and the politics of the country, particularly the outcome of presidential elections. This article examines the lessons that can be derived from business cycles in American History.

Since the Civil War, the business cycles in America have been a concern of economists, politicians, and citizens in general. This is because of the invaluable lessons that can be learnt from simply studying these cycles. Fair (1978) for instance, demonstrated that macroeconomic conditions affected the presidential vote. Using no other data apart from the growth and inflation rates, trends in time and the identity of political parties, correctly forecasted the outcome of fifteen out of the sixteen presidential elections between 1916 and 1978. This is a demonstration that business cycles hold priceless value as far as the prediction of the political atmosphere is concerned.

Incumbent presidents who would wish to run for another term of office have used this information to manipulate th economic situation as elections became imminent. This idea has been referred to as creating a political business cycle. The effects of generating such a business cycle are usually only beneficial in the short term but usually have detrimental effects to the long-term stability of the economy.

Business cycles in American History have also underscored the importance of monetary policy. Although some economists have pointed a castigating finger at monetary policy for the woes that the economy suffers, other economic analysts have pointed out that monetary policy has saved the U. S from a recurrence of the terrible depression of the 1930s.

The analysis that these analysts have provided is that the initial economic decline was as bad in the 2008 repression as it was at the beginning of the depression in 1929. However, the eventual worldwide drop in industrial output was only 13 percent in 2008 as compared with 40 percent in the 1093s. Moreover, unemployment reached its zenith at just over 10 percent as compared with 25 percent in the 1930s. The most prominent difference between the 1930s and 2008 was that in 2008, a monetary policy was in place. The logical conclusion to draw from this was that the monetary policy was critical to the stability of the economy. This is an important lesson that could be learnt from the U. S. business cycles.

Business cycles could also provide a valuable assessment for the growth of the economy in post-depressioon years. This is useful in evaluating whether or not the economy is growing at its maximum capacity, and if not, finding out what is holding the economy from recovering at the fastest possible pace.

For instance, some economists expressed their dismay after the 2008 depression economic recovery was being slowed down by the extreme caution that people were taking to avoid the same circumstances that had led to the depression. The most effective drive for the economic growth is demand. However, the cautious attitude people have taken since the depression has made people refrain from taking credit; hence, demand is not large enough. The result is that economic growth depends more on private consumers and private businesses than governmental spending and other factors. This means that governmental spending is too low to bolster economic growth that is needed to return to pre-recession expectations in jobs and production. After all, the business cycles have enabled an assessment of the rate of post-recession economic growth, and this can in turn shed light on what factors could be preventing the economy from expanding at the expected rate.

Business cycles throughout the history of the United States have shed valuable light on certain trends in the United States. With a proper analysis of the trends in business cycles, it is possible to make certain predictions concerning the politics, the economy and even make decisions on which policies would best work for the economy.