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The Exceptional 1990s

Now that the decade of the 1990s has closed, it is interesting to compare the economic performance of the 1990s—which is sometimes viewed as exceptional—with previous decades. By comparing macroeconomic results across recent decades, we identify some areas where the 1990s were exceptional and some where they were not.

Despite strong economic growth during the latter part of the decade, the table shows that the average growth of real GDP during the 1990s was nearly equal to that of the 1970s and 1980s, and was substantially slower than that of the 1960s. All of these decades were marked by at least one recession, with the one during the early 1990s being the mildest. Contributing to the strong economic growth, labor productivity growth also accelerated during the latter half of the decade. Average labor productivity growth during the 1990s, however, is very similar to that of the 1970s and is a full percentage point below that of the 1960s.

The 1990s average unemployment rate of 5.8 percent is markedly better than that of the 1980s, but only slightly lower than that of the 1970s and worse than the 1960s. Because the unemployment rate declined during the decade, employment during the 1990s grew more rapidly than the labor force on average. Nevertheless, the 1990s ranked last in employment growth. An unusually large number of jobs were created during the 1990s because total employment tends to rise over time. Consequently, a larger number of jobs can be created even when the growth rate is lower. While the number of jobs created during the 1990s is exceptional, the growth rate of employment is not.

Low inflation is one feature of the 1990s that is often thought to be exceptional; relative to the experience of the 1970s and 1980s, it clearly is. Despite nearly identical average rates of economic growth in all three decades, the average inflation rate of the 1990s was about half that of the 1970s and 1980s. Nevertheless, the average inflation rate of the 1990s was about three-quarters of a percentage point higher than that of the 1960s.

There are two areas where the experience of the 1990s was clearly exceptional. The first is the performance of the stock market. The inflation-adjusted total return to the S&P 500 during the 1990s dwarfed the returns of the 1960s and 1970s and exceeded the substantial return of the 1980s by 3 percentage points. Unlike the 1980s, however, this performance is not due to the market recovering from a poor performance in the previous decade.

The 1990s also were exceptional in terms of the stability of inflation and output growth. The standard deviations of quarterly real GDP growth and inflation were 1.5 and 1.1 percent for the 1990s. The same measures for the next best decade, the 1960s, were 2.1 and 1.5 percent. Hence, while the decade of the 1990s is not exceptional in terms of average rates of inflation and output growth, it was an exceptionally stable decade.

—Cletus C. Coughlin
—Daniel L. Thornton

Macroeconomic Performance by Decade*

	1960s	1970s	1980s	1990s
Real GDP Growth	4.4	3.3	3.1	3.1
Labor Productivity Growth	2.9	2.0	1.4	1.9
Employment Growth	1.9	2.4	1.7	1.3
Unemployment Rate	4.8	6.2	7.3	5.8
CPI Inflation Rate	2.3	7.1	5.6	3.0
S&P Real Total Returns	6.6	-0.5	12.9	15.9

* The figures, in percent, are quarterly averages. The growth rate calculations are based on year-over-year quarterly data.