

Econ 323

Economic History of the U.S.

Prof. Eschker

Spring 2016

Today's Topics

- Essays due soon
- For Wednesday Lindert Reading (SKIP sections on Britain, pages 174-185, 192-195, 200)
- Post War Macroeconomics
- Immigration and Labor After WWII

Post World War II

- Fastest increase in GDP per capita ever
- Decline in number of farms and agriculture in GDP, but rise in farm size
- Decline in manufacturing in GDP
- Rise in service sector (includes burger flippers and Wall Street)

- What was the highest unemployment rate since WWII?
- What was the highest inflation rate since WWII?

TABLE 28.3 Distribution of Jobs, 1955–2002, as a Percentage of Total Employment

YEAR	MANUFACTURING, MINING, AND CONSTRUCTION				SERVICES	GOVERNMENT
	AGRICULTURE					
1955	11.3		35.9		40.7	12.1
1960	9.2		34.3		42.6	14.0
1970	4.7		31.7		46.7	16.9
1980	3.6		27.4		51.7	17.3
1990	2.9		22.1		58.8	16.3
2000	2.4		19.0		63.2	15.3
2002	2.4		17.8		63.9	15.9

Source: Economic Report of the President, 2003 (*Washington, D.C.: Government Printing Office, 2003*), Table B46.

1950s

- Solid economic growth
- Peak of Union membership
- High birth rates
- Cold War and hydrogen bomb

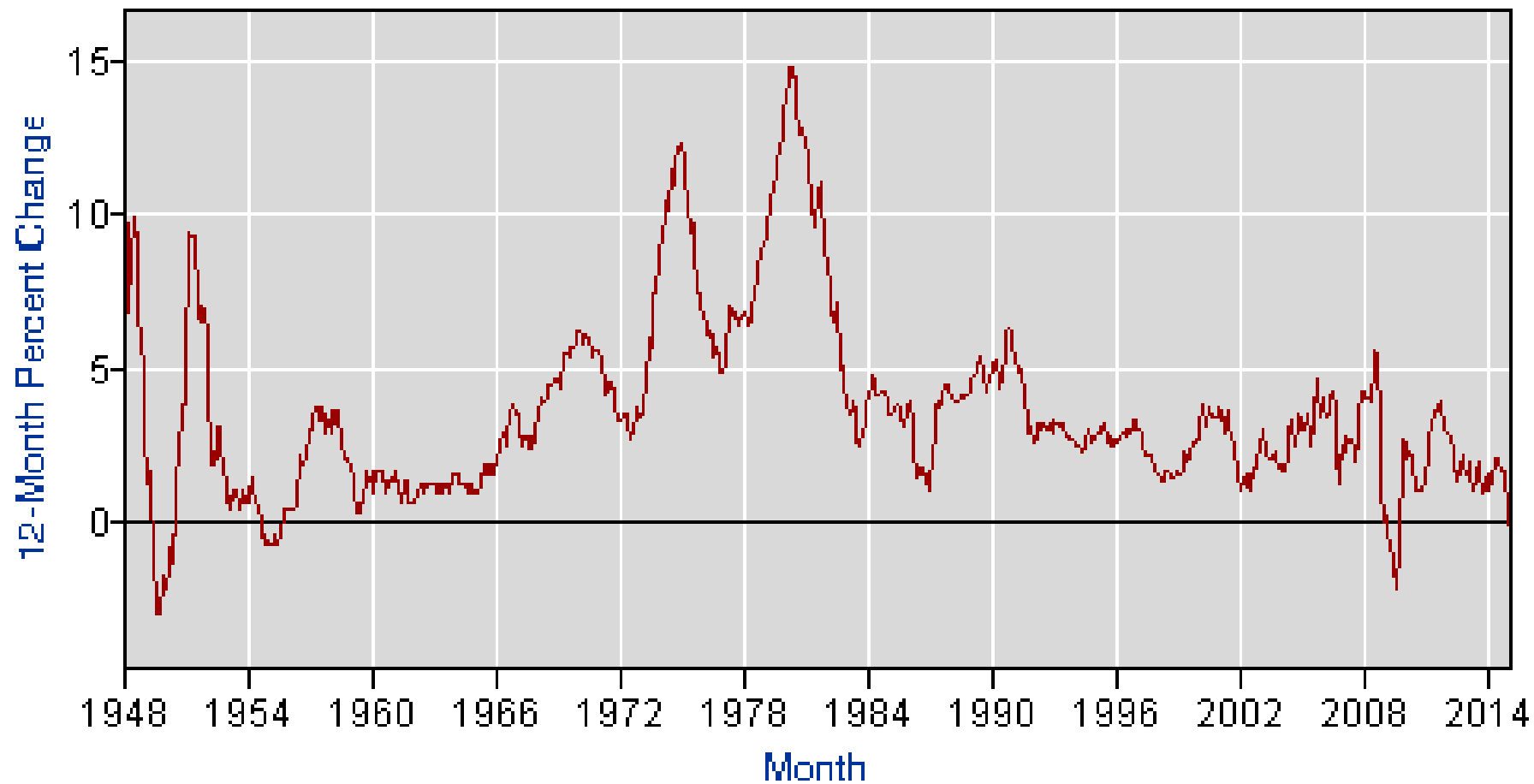
1960s

- General economic prosperity
- The “Great Society”
 - Medicare
 - Foodstamps
 - Expansion of Social Security
- Vietnam War and fiscal stimulus
- Increased government regulation in labor market

1970s

- Stagflation
- Inflation rate over 10%
- Price controls with gasoline shortage
- President Nixon resigns
- Baby Boomers hitting the job market
- Productivity falls

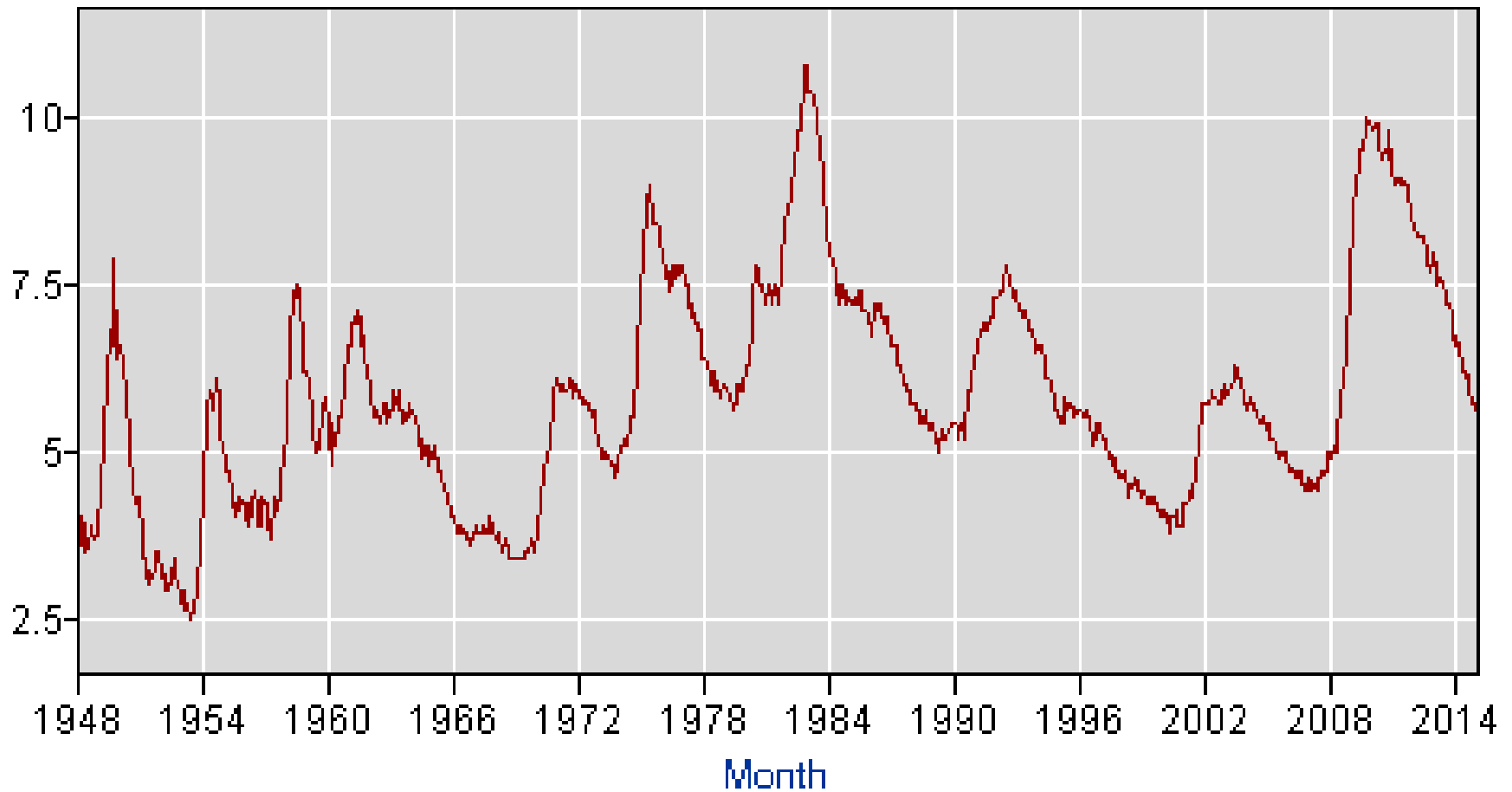
Inflation Rate



1980s

- Big recession of 1981-82
- Inflation rate fell
- Supply-Side Economics
- Deregulation
- Savings and Loan Disaster
- Large Budget Deficits, military expansion

U.S. Unemployment Rate



1990s

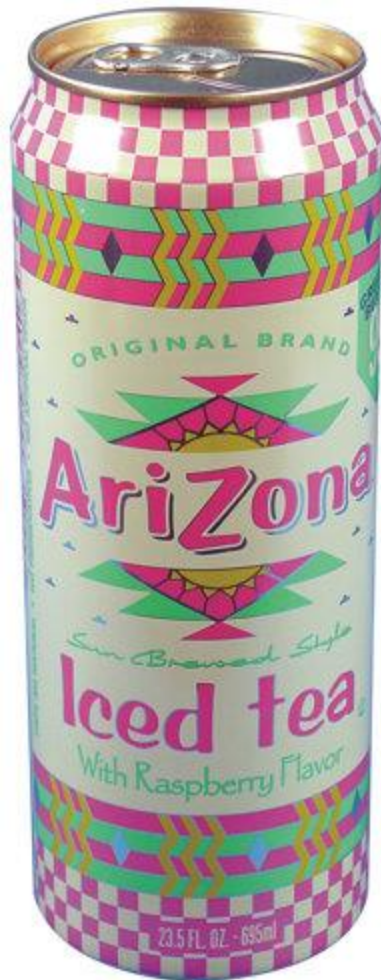
- Great prosperity and Dot.Com boom
- Inflation rate low
- Cold War over, military base closings
- Glass-Steagall repealed 1999
- Long Term Capital Management 1999 (the mini-crisis before 2008?)

2000s

- Wall Street peaks in 2000
- Mild Recession 2001
- Wars in Iraq and Afghanistan
- Housing Boom and Bust
- The Great Recession 2007-9 with lingering unemployment
- Financial Crisis 2008
- Inflation rate very low and even negative
- No gains in the stock market
- The “lost decade?”

Questions about Post WWII
macroeconomic history?

2010 Arizona Immigration Law



- State and local police must check immigration status of any suspected illegal aliens
- Person must show federal ID in order to not be jailed
- Can't hire people from moving trucks

Immigration Review

- Previous immigration booms:
- 1850s, 1890-1920

Post WWII Immigration

- *Braceros*-Mexican agricultural “guest worker”
 - Started during WWII
- Increase in legal immigration in the 1960s
 - 1965 Act Removed ethnic quotas



Post WWII Immigration

- Immigration today has returned to Pre-WWI levels
- More than 1 million immigrants per year
- Immigrant share of workforce:

<u>1979</u>	<u>1988</u>	<u>2005</u>
7%	10%	15%

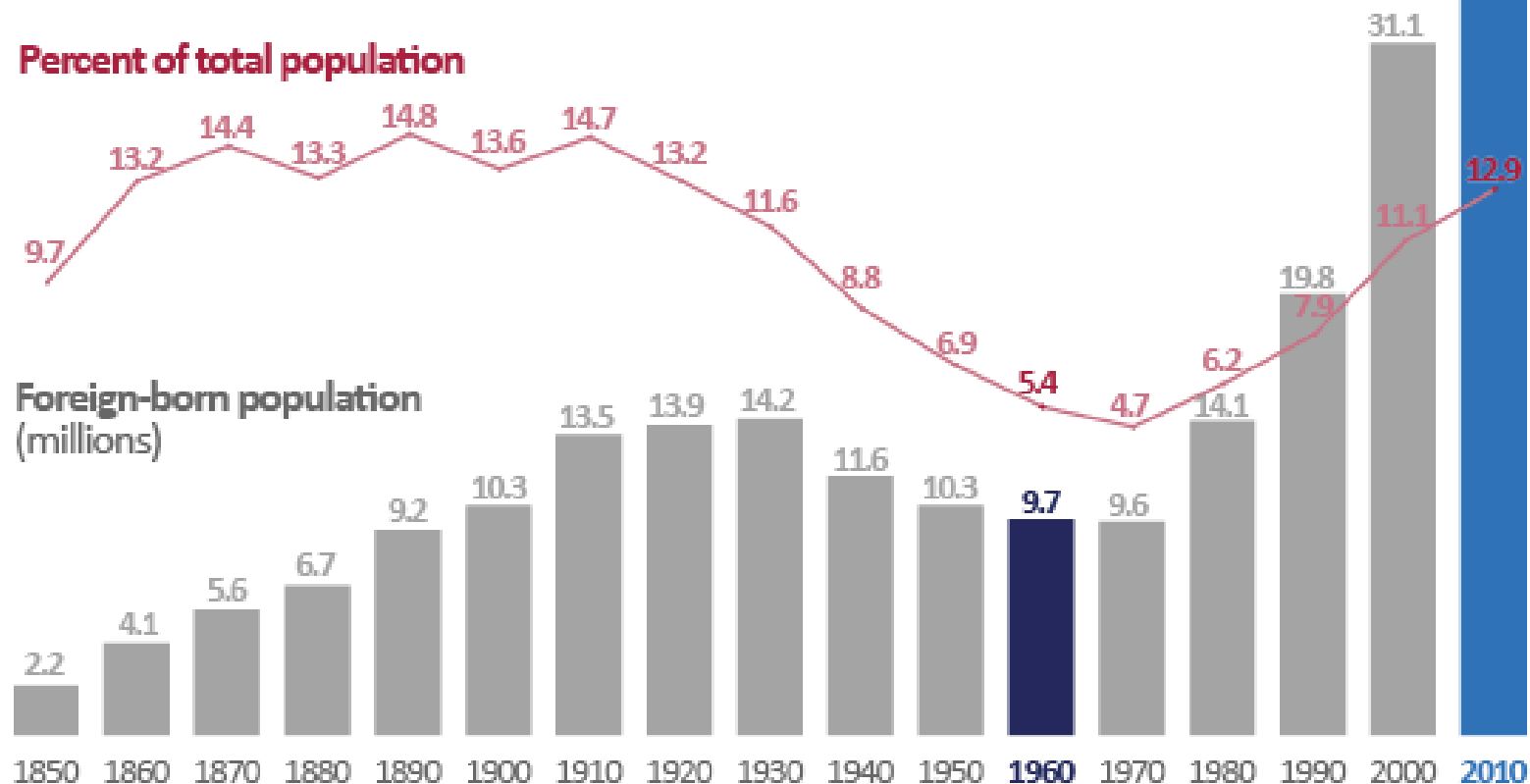
- (from *Economist*)

TABLE 29.8 IMMIGRATION, 1901–2010

YEAR	TOTAL (in thousands)	RATE (annual per thousand U.S. population)
1901–1910	8,795	10.4
1911–1920	5,736	5.7
1921–1930	4,107	3.5
1931–1940	528	0.4
1941–1950	1,035	0.7
1951–1960	2,515	1.5
1961–1970	3,322	1.7
1971–1980	4,493	2.1
1981–1990	7,338	3.1
1991–2000	9,095	3.4
2000–2007	7,984	3.9
2008	1,107	3.6
2009	1,132	3.7
2010	1,043	3.4

Source: Statistical Abstract of the United States, *various years*.

Foreign-Born Population and as Percent of Total Population



Source: U.S. Census Bureau, 1850–2000 Decennial Census; 2010 American Community Survey.

Top 10 Countries of Birth

1960

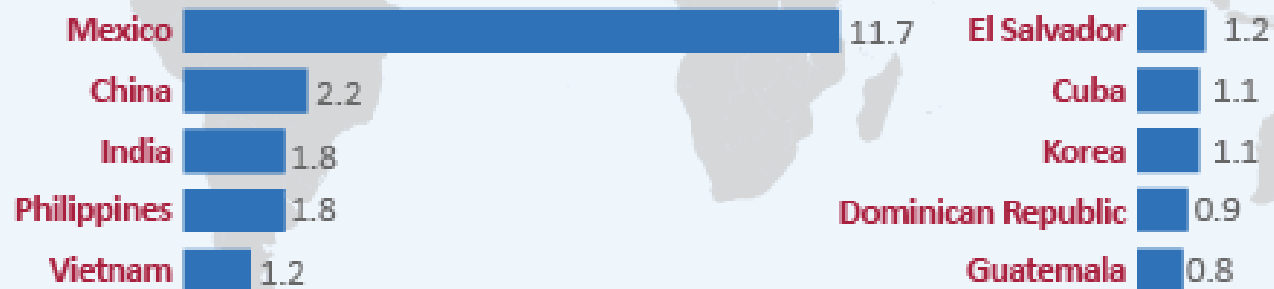
Millions of Foreign-Born Residents

Italy	1.3	Soviet Union	0.7
Germany	1.0	Mexico	0.6
Canada	1.0	Ireland	0.3
United Kingdom	0.8	Austria	0.3
Poland	0.7	Hungary	0.2

Source: U.S. Census Bureau, 1960 Decennial Census.

2010

Millions of Foreign-Born Residents



Source: U.S. Census Bureau, 2010 American Community Survey.

2010

About two-thirds of all states had more than 5 percent foreign born

median age
foreign-
population
41.4 ye

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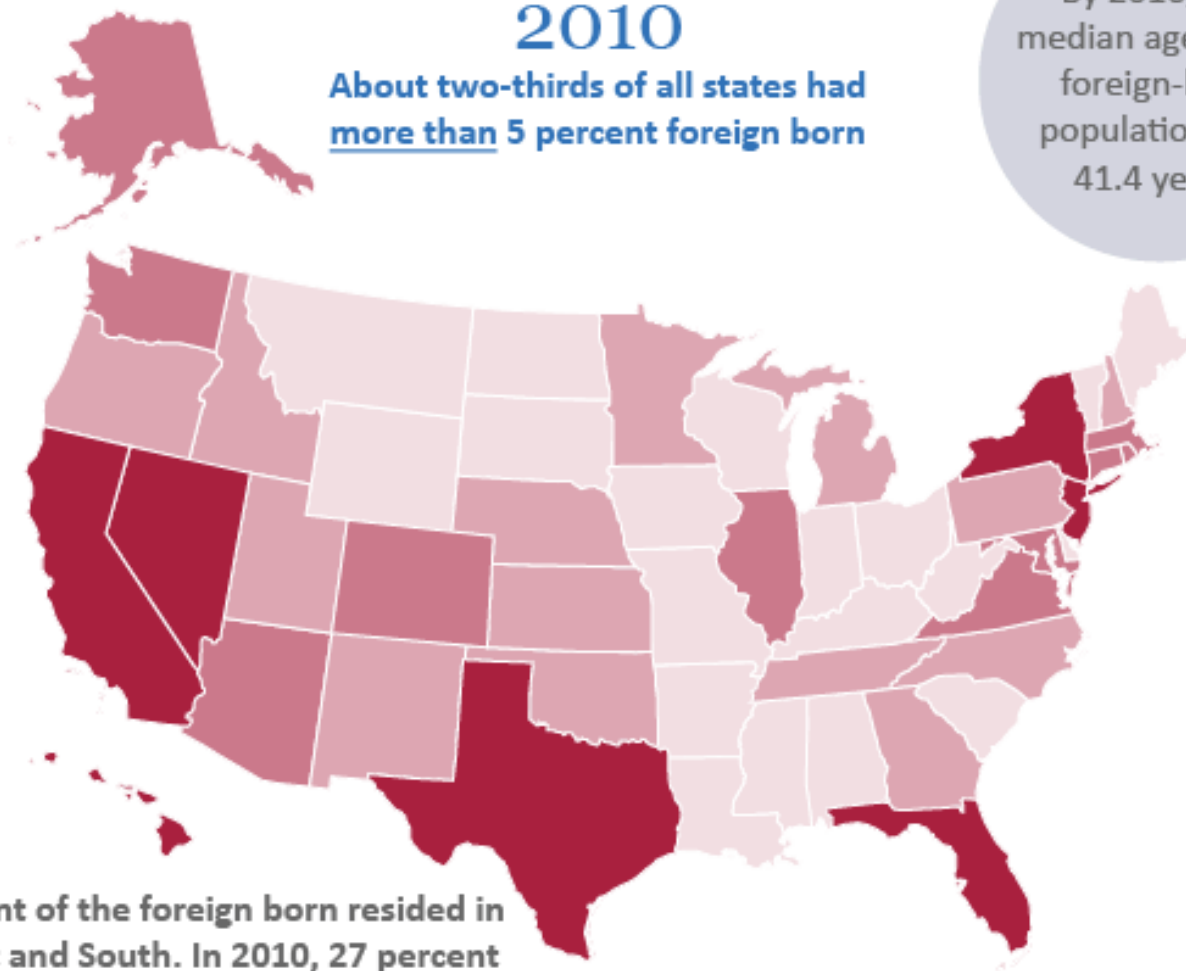
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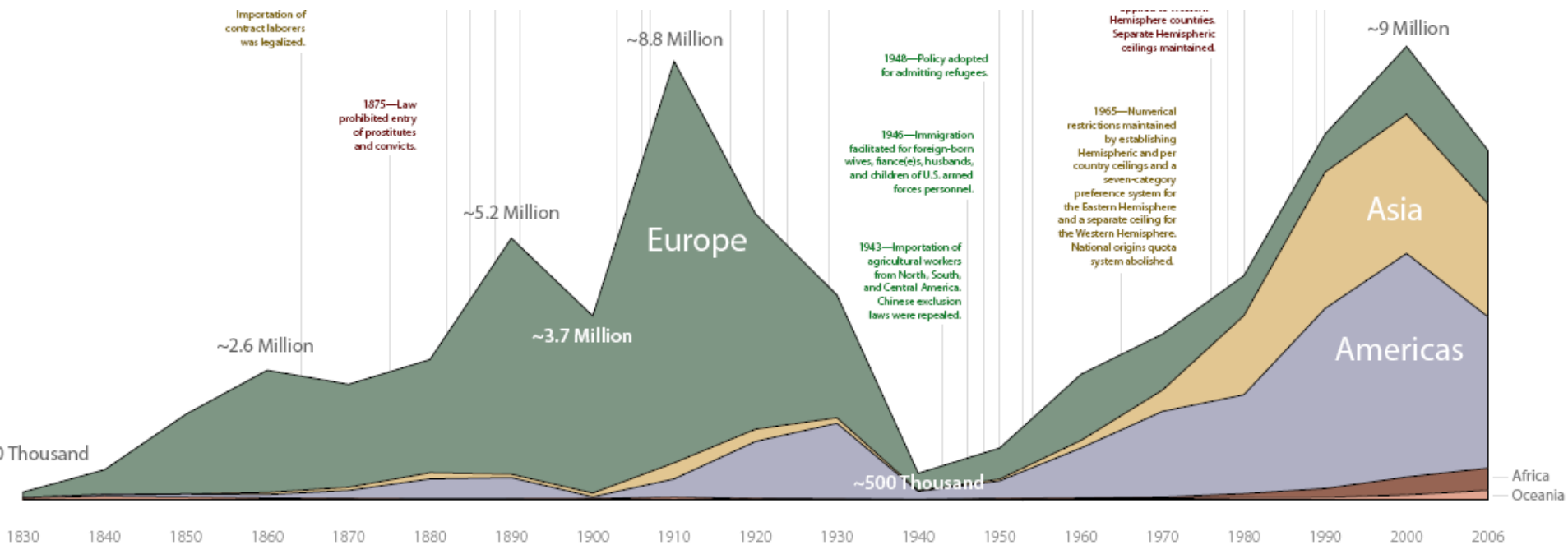
Post WWII Immigration

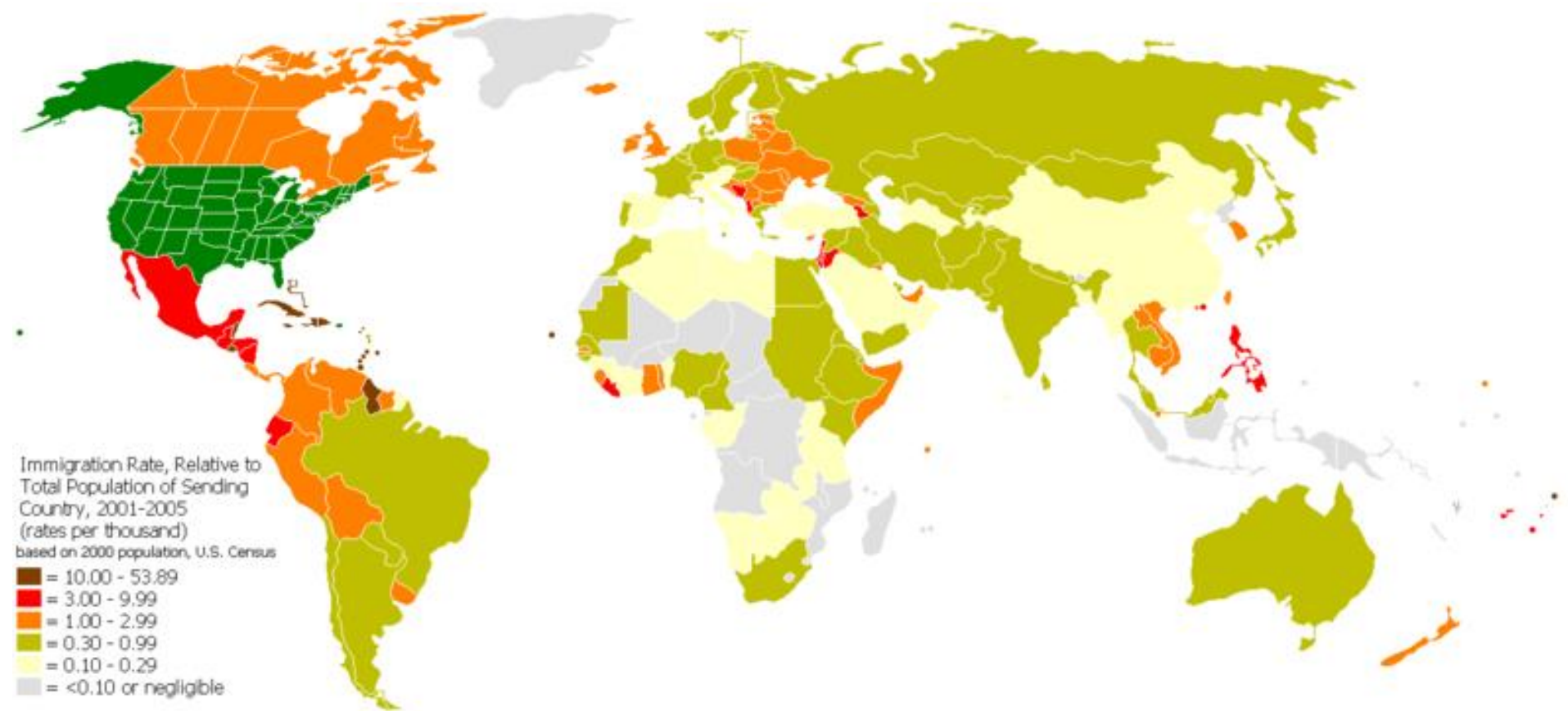
- “New” immigrants from Latin America, Caribbean, and Asia
- Percent of Immigrants from Europe:

<u>1960s</u>	<u>1990</u>
37%	7%
- Today’s immigrants tend to either be highly educated or have little education

Visual display of historical immigration

- <http://www.genealogue.com/2008/12/where-we-came-from.html>





**Which countries send a higher portion
immigrants to the U.S.?**

OCCUPATION BY CITIZENSHIP STATUS & RACE

	<i>Born Citizen</i>			<i>Non-Citizen</i>		
	<i>White</i>	<i>Black</i>	<i>Latino</i>	<i>Europe</i>	<i>Africa</i>	<i>Latin America</i>
Mgt, Bus, Fin	15.1	9.5	9.9	15.5	10.3	4.2
Professional	8.4	4.5	5.7	13.2	9.2	2.6
Health Prac & Tech	5.0	3.7	3.2	3.7	7.1	0.7
Edu, Training, Library	7.0	5.9	5.8	7.6	5.2	1.7
Install, Maint, Repair	3.7	2.5	3.4	2.0	2.3	3.4
Const & Extraction	5.6	3.7	5.8	6.5	1.4	16.9
Community & Soc Svc	1.5	2.8	1.9	1.0	2.8	0.4
Protective Svcs	2.0	3.4	2.9	0.6	2.6	0.5
Offc & Admin	15.9	18.3	19.7	11.7	12.1	7.2
Production	6.4	8.9	6.7	7.6	6.0	15.8
Transportation	3.2	4.2	3.1	2.4	6.2	3.1
Healthcare Support	1.9	4.5	2.9	2.2	7.9	1.4
Sales	12.5	10.1	13.2	10.8	12.6	7.5
Bldg & Grounds Maint	3.0	6.5	4.5	5.0	3.9	14.8
Personal Care & Svc	3.1	4.4	3.8	3.9	5.9	3.2
Farm, Fish, Forest	0.7	0.4	0.7	0.3	0.1	5.2
Food Prep & Serving	4.9	6.5	6.6	6.0	4.5	11.4

Source: Author's calculations using 2004 American Community Survey Population Records (Census Bureau) and November 2004 National Occupational Employment and Wage Estimates (Bureau of Labor Statistics).

Note: Occupations ranked by descending median hourly wage. "Mgt, Bus, Fin" aggregates major Standard Occupational Classifications, (SOCs, as defined by the Bureau of Labor Statistics) 11 and 13; "Professional" aggregates 15, 17, 19, 23, and 27; all others are major SOCs.

Illegal Immigration

- 1986 Act tried to reduce *illegal* immigration
 - Gave amnesty to existing illegal immigrants
- Illegal Immigration has risen a lot in recent decades (but hard to measure)
- 11 million estimated in country
- 40 percent live in California

Should we reduce immigration?

- **Yes**

- Immigration reduces wages of some domestic workers

- **No**

- Nothing benefits a poor person in the world as much as moving to a rich country
- Prices of goods reduced if immigration lowers costs to business
- Immigrants provide workers for rising elderly population

Outsourcing

- Part of the production process is completed (outsourced) abroad
- Outsourcing is not new
- Example of friend at Oracle and “insourced”
- Outsourcing similar to immigration, technology, and trade
- WSJ article