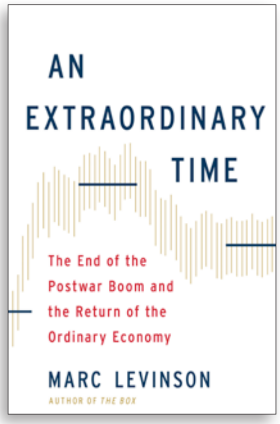
Are the Good Times Really Over?



AN EXTRAORDINARY TIME: THE END OF THE POSTWAR BOOM AND THE RETURN OF THE ORDINARY ECONOMY
BY MARC LEVINSON
NEW YORK: BASIC BOOKS, 2016,
326 PAGES

REVIEWED BY AARON STEELMAN

A number of authors have recently made the case that we can expect the U.S. economy to putter along for some time, growing considerably more slowly than during much of the second half of the 20th century. Robert Gordon of Northwestern University has provided perhaps the most rigorous treatment in his *The Rise and Fall of American Growth*, which traces developments in standards of living since the Civil War. At the heart of Gordon's case is that the types of major innovations that have propelled the U.S. economy during times of rapid growth simply are much less common and less likely to materialize in the future. In addition, the United States no longer has a large pool of untapped labor to propel it to new heights. Female labor force participation, for instance, has nearly doubled since 1950 for prime working-age women, standing at roughly 75 percent today. And as the population ages, funding of retirement and other safety net programs will be tested. In short, he paints a pretty glum picture with care and sophistication.

Marc Levinson, the former finance and economics editor at the *Economist*, provides a similar forecast in his *An Extraordinary Time* but on a scale that is narrower in one way and broader in another. Unlike Gordon, Levinson focuses almost exclusively on the period since the end of World War II, with particular emphasis on the 1970s. Also unlike Gordon, his focus is global, arguing that many of the same trends — economic, political, and social — that have prevailed in the United States have "transcended national borders," hampering growth in other countries.

Levinson's approach can be both entertaining and frustrating. In 15 broadly related chapters, he takes the reader around the world, producing often interesting and readable vignettes laden with useful anecdotes. But he often introduces a theme without developing it fully, before jumping to another, and then returning to it later in the book. This can be jarring and ultimately has the effect of the sum of the book's parts being greater than the whole. Nevertheless, many of those parts are very good.

In Levinson's account, the key year is 1973. He argues that is when one period — characterized by robust growth widely distributed across the populace — ended and another of tepid growth with gains more concentrated among upper income people began. In some ways, this is an artificial distinction, as the slowdown in productivity, the decline of the manufacturing sector, and soaring inflation were all gradual processes that cannot be pinpointed so easily, with some starting well before 1973 and some really picking up steam only afterward. But it is notable in the sense that the oil shock did cause significant short-term disruptions and shook the confidence of policymakers and consumers alike.

Levinson's narrative of the events leading up to the oil shock and of its consequences is a high point of the book. So too is his discussion of Japan's rise from a relatively poor country still hobbled from the war in the late 1940s, to a rich one in the 1980s, to one that has seen anemic growth over the last 20 years. Levinson nicely details the efforts of Japan's Ministry of International Trade and Industry, better known as MITI, to direct growth, both its seeming successes as well as its failures.

The economic changes that came in the 1970s also produced significant political changes, Levinson argues. Slowing economies led people to reconsider some policies that were widely seen to be choking growth, ushering in leaders with more market-oriented rhetoric. This occurred not only in the United Kingdom and the United States, the two most famous examples, but also in countries such as France and Spain, where political change came more slowly and less comprehensively.

Ultimately, Levinson maintains, these political shifts made little difference, as key long-run economic trends — most importantly, the decline in productivity — have proven largely immune to economic reforms. "Hope that wise, well-considered measures will propel an economy to a higher growth trajectory is eternal, but there are no foolproof recipes," he writes. What's more, Levinson argues recent trends are unlikely to change. In particular, there is little reason to expect a significant uptick in productivity that would boost growth.

But is there? We recently have seen significant innovations in communications and entertainment that are hard to measure but have certainly improved well-being. Levinson seems to dismiss those too quickly. More generally, as Gordon's colleague at Northwestern, Joel Mokyr, has argued, "There are myriad reasons why the future should bring more technological progress than ever before — perhaps the most important being that technological innovation itself creates questions and problems that need to be fixed through further technological progress. If we rethink how innovation happens, we have every reason to suspect that we ain't seen nothing yet." This may seem Pollyannaish to those who share Levinson's rather bleak outlook, but it's useful to keep in mind as one reads this often engaging and meandering book. **EF**