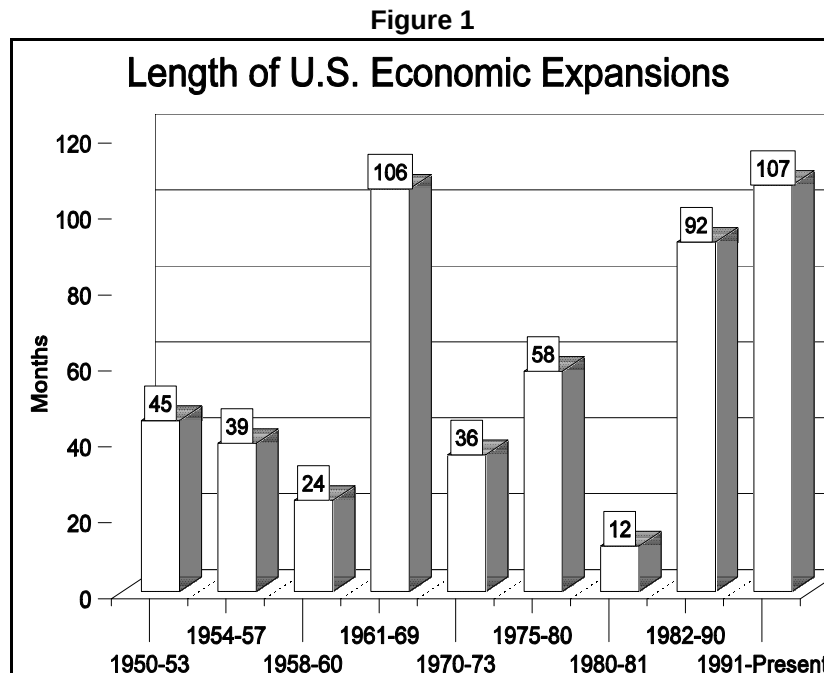


A RECORD-BREAKING ECONOMIC EXPANSION

by Jay Wortley, Senior Economist

In April 1991, the U.S. economy began slowly to pull out of a mild recession, and since then the economy has not stopped growing. As of February 2000, this period of sustained economic growth reached 107 months (eight years and 11 months), which established a new record as the longest sustained period of economic growth since the U.S. government began measuring economic growth in the 1850s. The previous record was set in the 1960s, when the economy experienced uninterrupted growth for 106 months. To help put the length of the current economic expansion into proper perspective, [Figure 1](#) compares the duration of the nine U.S. economic expansions that have occurred since 1950.

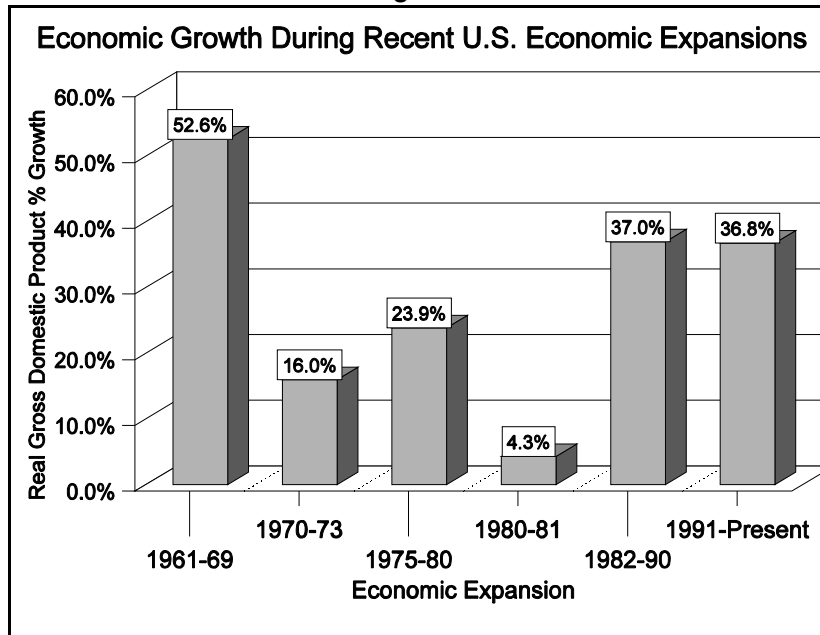


According to the National Bureau of Economic Research (NBER), the agency that officially determines the timing of economic expansions and contractions, the U.S. economy has experienced 31 periods of sustained economic expansion since the 1850s and the average length of these economic expansions has been 35 months. This makes the current economic expansion, to date, three times as long as the average economic expansion during the past 150 years.

The duration of recent economic growth is indeed very impressive given the record-breaking length of the current expansion, but recent economic growth is even more remarkable due to the fact that the current expansion followed an economic expansion during the 1980s that lasted 92 months, and these two economic expansions were separated only by a relatively mild eight-month recession in 1990 and 1991. As a result, during the past 207 months (17 years and three months), the U.S. economy experienced economic growth during 199 months or 96% of the time. These two economic expansions mark the longest back-to-back expansions in U.S. history.

While the current expansion is the longest in history, it is not the strongest in terms of the amount of real growth that has occurred, as shown in [Figure 2](#). Since the second quarter of 1991, U.S. economic activity has increased 36.8%, as measured by gross domestic product (GDP), adjusted for inflation. This compares with real GDP growth of 52.6% during the 106-month economic expansion of the 1960s, and 37.0% during the 92-month economic expansion of the 1980s.

Figure 2



The cyclical pattern of Michigan's economy tends to be more volatile than the U.S. economy, but the timing of its expansions and recessions is very similar to the U.S. experience. The best measure of overall economic activity available for Michigan, or any other state, is personal income, which measures the total income received by individuals. Economic growth in Michigan, as measured by the real change in personal income, lasted for eight consecutive years in the 1960s, and in the 1980s, the economy grew for seven straight years. The current economic expansion, which began in 1992, has been going strong for eight years and is currently working on its ninth year. While the length of the current expansion is on a record pace, the amount of growth that has occurred lags behind other recoveries, just like the current national economic expansion. Michigan's personal income, adjusted for inflation, increased 21.2% from 1992 to 1999, which is much slower than the 52.9% increase that occurred in the economic expansion during the 1960s and the 27.3% growth during the period of sustained growth in the 1980s.

The U.S. and Michigan economies are currently growing at very robust rates, and there is currently no indication that the economic expansion is going to end any time soon. Studying the historical ups and downs of economic growth since the 1850s does not reveal much information to help predict the length of this or any future economic expansion; however, the one major characteristic that all previous economic expansions have in common is that they all ended. This current record-breaking expansion will also eventually end; the only question is when.