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Berichte

Good Policies and Good Luck – What the U.S. "Fabulous Decade" teaches us and what it does not[1]

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The 1990s are currently regarded as one of the most successful periods in U.S. economic history. Levels were recorded for growth, inflation, unemployment, and the government deficit unprecedented within thirty years. Especially impressive were the accomplishments in the second half of the decade showing no signs that the boom was coming to an end in spite of its long duration or of escalating inflation. Yet, compared with the prolonged expansion periods of the 1960s and even the 1980s, the shine is not quite as bright as it has often been assumed (figures 1, 2). Thus the true significance of the decade may be its disproving the early 1990s' widespread "diminished expectations" (*Krugman*).

Extraordinary developments call for explanation, and some explaining has indeed been done at both the macroeconomic and the microeconomic levels from the late 1990s. Most of it was either limited in scope simply focusing on ways for better conducting and co-ordinating fiscal and monetary policies or was very far-reaching suggesting once more the near end of the cyclical high, this time by referring to the "new economy" and its smoothing effects.[3] Although certain of the explanations were rather convincing at the time they were presented, they fell to oblivion as the decade progressed; moreover, post-1998 developments

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[1] On "Blinder, Allen S., and Yellen, Janet L., *The Fabulous Decade – Macroeconomic Lessons from the 1990s*. A Century Foundation Report. New York: The Century Foundation Press: 2001."

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[3] For a discussion see, for example, *Baker* (2000), *Heilemann* et al. (2000), pp. 32 ff., *Zarnowitz* (1999, 2000).

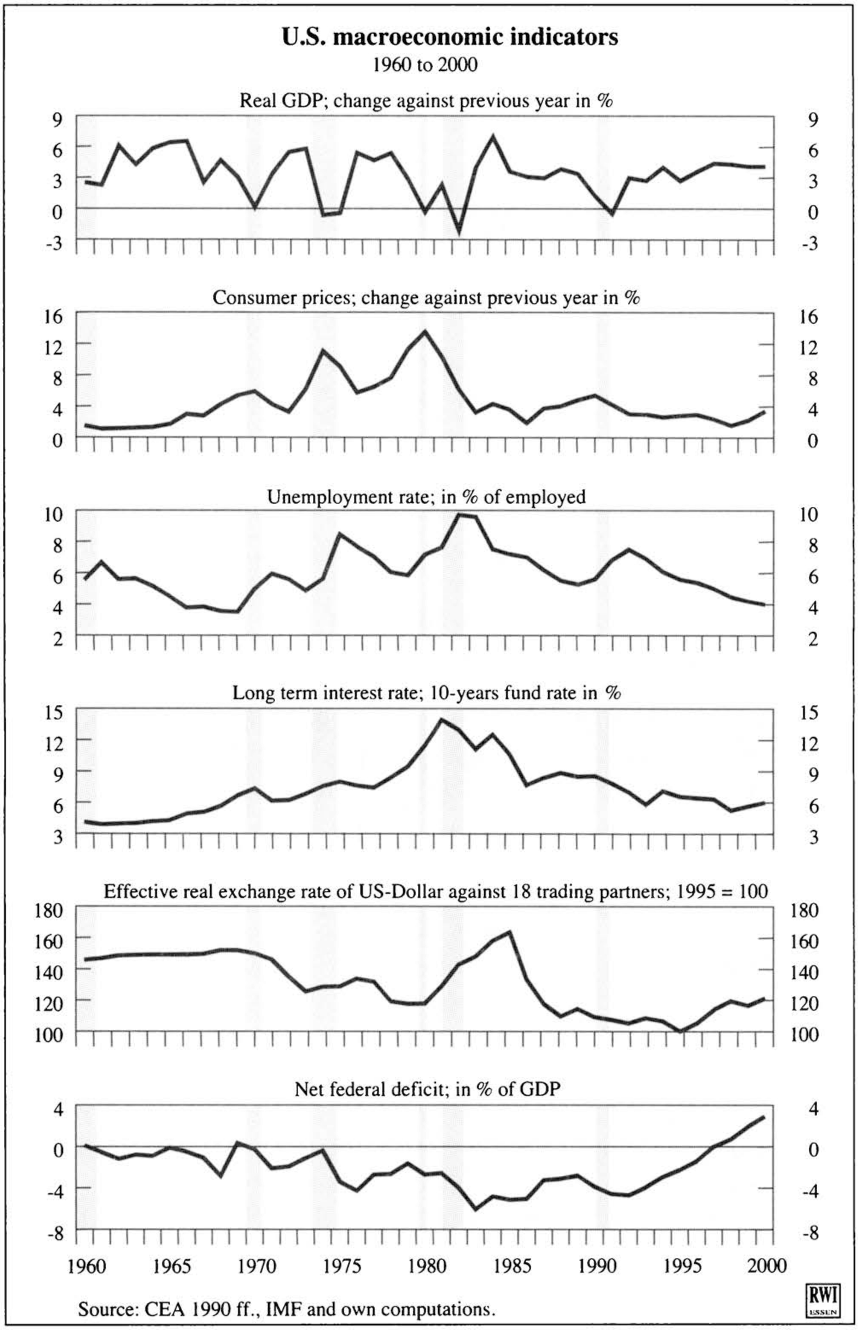
U.S. macroeconomic indicators
1960 to 2000
Real GDP; change against previous year in %
Consumer prices; change against previous year in %
Unemployment rate; in % of employed
Long term interest rate; 10-years fund rate in %
Effective real exchange rate of US-Dollar against 18 trading partners; 1995 = 100
Net federal deficit; in % of GDP
1960
1965
1970
1975
1980
1985
1990
1995
2000
Source: CEA 1990 ff., IMF and own computations.
RWI

Figure 1

became increasingly difficult to predict as demonstrated by the unusually high rate of forecasting errors. Hence, "What constellation of good policies, good luck and related historical developments provided the underpinnings of all this good news?" and "(...) what lessons should we take away from this period?" (p. 1) are still open questions which *Blinder/Yellen* set out to answer.

Their account of the "fabulous decade" is comprehensive and often detailed. Like any historical process involving many players, the subject of their study has been rather complex. To cope with this fact, macroeconometric models have been employed to a large extent. One important factor for developing an understanding especially of the first half of the decade is the *political* framework – the study clearly demonstrates that a Democratic President facing a Republican Congress devoted to deficit reduction did not have many alternative options for action let alone the *Ross Perot* effect.

Its two authors have overcome the limitations of previous studies by giving a broadly based macroeconomic account of the decade in quantitative terms insofar as this is possible on 98 pages. (More is expected to follow in a series of studies initiated by *The Century Foundation* and the *Russell Sage Foundation* (p. vi)). Having been members of the *Council of Economic Advisors* and governors of the FOMC during President Clinton's terms of office, the two authors have been especially well positioned for writing this chapter on U.S. macroeconomic history. Although actors are rarely good critics – especially where they are part of the show – this is not so here, nor has the analysis been biased in any respect as a result. On the contrary: the authors' frank description of the Fed's crucial decisions are one of the merits of their study. This applies in particular to the arguments Fed Chairman *Alan Greenspan* used in his struggle for obtaining support of his views in crucial moments (e.g., February 1994), though the scars at least one of the authors has sustained from Fed and other battles can still be sensed.

A more severe limitation of the analysis is its ignoring what may be summarised as *post-termination effects*. Initially this means that, because of the considerable impact lags of macroeconomic policies, the widely used macro model simulations should also include results beyond the impulse phase. Otherwise the resultant picture would be incomplete, if not even distorted. Much of the US economy's present downswing has its roots in the year 2000 and before being the result of endogenous reasons, monetary policies, and other causes such as a strong dollar revaluation. This affected growth and inflation significantly after only three or four

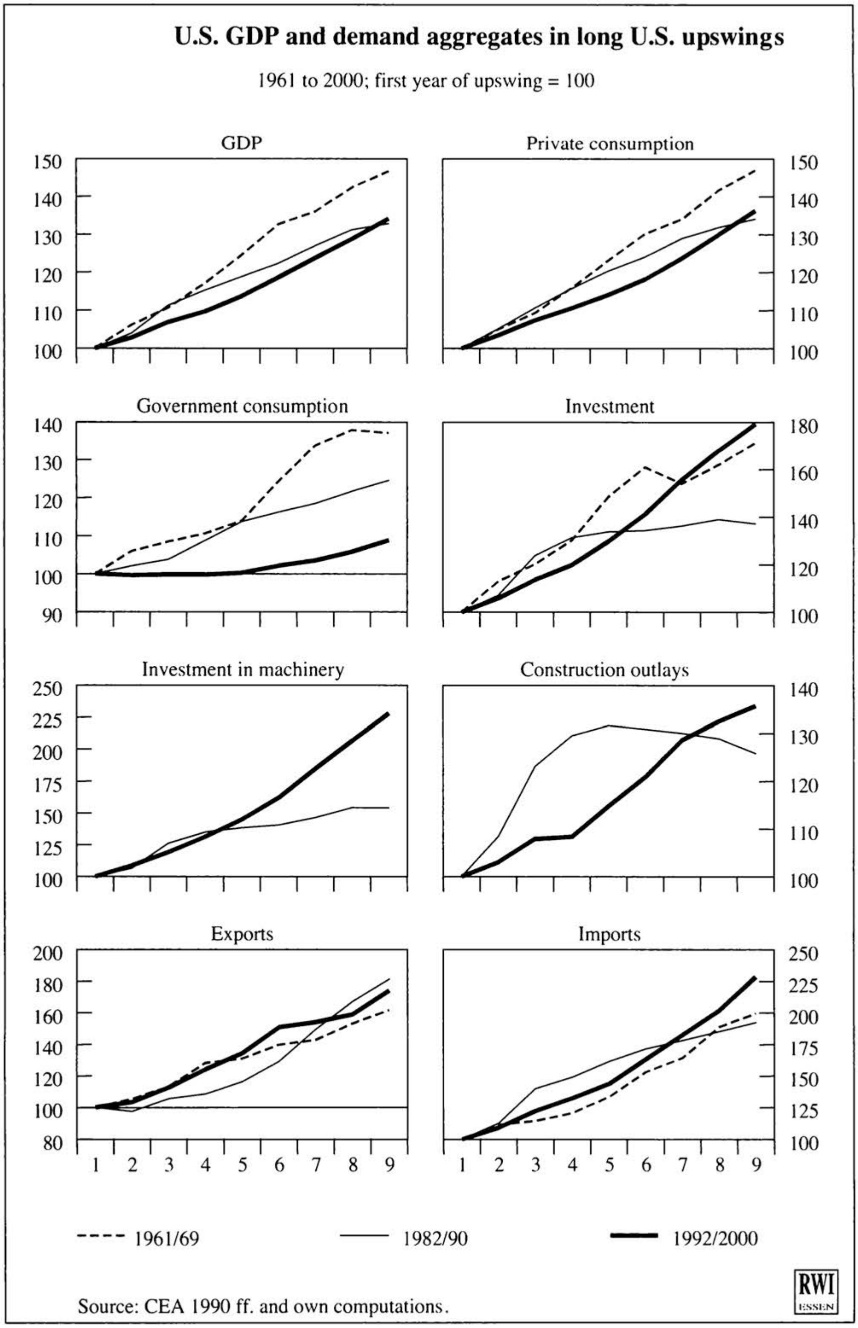
U.S. GDP and demand aggregates in long U.S. upswings
1961 to 2000; first year of upswing = 100
GDP
Private consumption
Government consumption
Investment
Investment in machinery
Construction outlays
Exports
Imports
1961/69
1982/90
1992/2000
Source: CEA 1990 ff. and own computations.
RWI
ESSEN

Figure 2

years. In a literal sense, post-termination effects mean that, since the study was completed in the second quarter of 2001, it could have been presumed that the final assessment of the decade would be impaired by the fact that pivotal statistical data was still *in flux*. The July 2001 GDP revision and its consequences has resulted in a one percentage-point loss in productivity growth for 1999/2000 and in a ten-percent profit loss. This will diminish "potential growth" as well as future stabilising effects of the "faster trend in productivity after 1993" that was so vital for monetary-policy forbearance in the second half of the 1990s, in the authors' view. Finally, even when ignoring in this context the direct consequences of the catastrophe of 11 September 2001 and the economic-policy reactions thereto, it is still uncertain how strong the current downturn will be and how long it will last. But this and the bursting of the technology bubble in 2000 could well shape the final opinion on the decade in the same way as stagflation did in the 1970s in respect of the virtues of the "new economics" of the 1960s. This could be even more so in the present case. The disequilibria having emerged in the wage sector and in income distribution as well as consumption by private households – excessive nonetheless – and the technological over-investment as diagnosed by the authors (pp. 66 ff.) and overlooked in most celebrations of the "longest upswing"[4] entail considerable risks to a quick recovery. The same holds true for the savings gap of private households and for the trade deficit. While both of them largely correlate with the above imbalances, the reader is surprised that they have been completely ignored by the authors. This is all the more astonishing, as the logic at the base of reducing the government deficit was the "crowding-out argument" and its consequences for investment (p. 15 ff.). When disregarding the question whether this argument has ever been valid for the USA having enjoyed the existence of a world-wide capital market for a long period of time, the authors have failed to explain why over-consumption or over-investment in the "new economy" would not have similar consequences as in the late 1980s: Indeed, a "twin deficit" showed up again – though in the private instead of the public sector with the government as a borrower and driving force this time. While it is true that investment was boosted as well this time, i.e. a known phenomenon of investment booms, not all of this boost could be expected to enhance capacity and productivity in the economy for a long period. In addition, some of the investment in the new economy may well have "crowded out" investment in the old economy. Even ex ante would it have been more convincing if

[4] For an early sceptical note see *Zarnowitz* (2000).

the argument in support of fiscal consolidation had been that the 5.5 percent fiscal deficit/GDP-ratio of the early 1990s was unsustainable over time.

Eternity is in love with timely production, but promptness has its price. In the present, case this price is unusually high.

The analysis starts with a short economic record of the "fabulous decade". This is followed by a scenario whereby three of the four foundation stones of that decade (would the "faster trend in productivity after 1995" be the fourth?) had already been laid by tightening fiscal policies, relaxing monetary policies and improving industrial structures *before* the new President took office (p. 4). It then examines, in a chronological order inasmuch as this is possible with interacting policies, the role monetary policy played in bringing the 1990 recession to an end, the fiscal turning point which was the 1993 Budget amendment, and the Fed's engineering of a soft landing in 1994/96. Much of this story is not new any more. However, the authors have rated somewhat low the often cited deal between *Greenspan* and *Clinton* that the Fed would honour serious attempts at reducing the government deficit (p. 23; Woodward 1994, pp. 68 ff.). A similar – implicit or explicit – understanding between the then Fed chairman *Volcker* and President *Reagan* had also started disinflation in the early 1980s. The authors have paid great attention to the most important economic decision of Clinton's first term of office and its rather astonishing consequences: falling bond rates after the President had announced his deficit reduction program on February 2, 1993, and the question, "*under what circumstances can we normally think of as contractionary a fiscal policy that is really expansionary?*" (p. 21). After intensive discussions of various economic explanations, Blinder/ Yellen have found all of them to be too far-fetched. This has made them prefer the less spectacular explanation that budget trimmings came at just the right moment, i.e. when the financial markets expected them to come.

A much more recent insight and one of the most important findings of the study is what the authors have to say about the 1996/1999 period: "the Fed forbears and the Phillips curve cooperates." Following *Gordon*'s (1998) explanation of the changing NAIRU, they describe in detail the inflation risks the Fed then encountered. They work out the factors and the macroeconomic effects that came to the rescue to hold inflation in check: "health care reform", "'traumatised workers' reducing wage claims because of downsizing, mergers and acquisitions ", "expectations of an increased productivity path", "the appreciation of the U.S. dollar", "declining oil and non-oil import prices" as well as "CPI-measurement changes". All these factors – hard to foresee as a matter of course – helped to keep wages and prices down. In 1998 this was additionally fostered by the Asian/Russian crises, because for national and international reasons the Fed was led to reduce interest rates at a time when increases would otherwise have been on its agenda. "Good luck" – equilibrium theorists will find the expression debatable – was the icing on the cake: the increased productivity path, the stock market boom and its (wealth) effects on consumption, and falling computer prices, not to mention the downward revision of inflation rates for fiscal reasons (*Boskin*-Commission). However: "*No one should think the FOMC's 'experiment' of allowing unemployment to drift down to thirty-year lows was a deliberate policy decision. It was largely inadvertent. – We find it impossible to believe that the committee would have deliberately chosen to push unemployment below 5 percent, much less all the way down to 4 percent.* [...] *Like the typical Blue Chip consensus, the Fed's staff forecasts saw a growth slowdown just around the corner. On the other hand, as growth constantly outstripped forecasts and unemployment fell, the Fed made no effort to push unemployment back toward any preconceived notion of the NAIRU. That was its real experiment*". (p. 53). This is a judgement that will play a key role in future debates about the Fed's policy.

However, all good things eventually come to an end. In the years 1999 and in 2000, real economic growth again exceeded potential output (still a benchmark of monetary policy), but more importantly the "irrational exuberance" of the stock market finally made a tightening of monetary policy inevitable. Whether this factor or more traditional cyclical ones such as over-investment in the new economy and a general profit squeeze stopped the upswing during the second half of 2000 and led to a downturn in 2001 is still an open question. So far the downturn has not been atypically sharp; nonetheless a recession can no longer be ruled out in 2001, and economic recovery is being postponed well into 2002 (again ignoring the 11 September 2001 events and their aftermath). The art of properly stopping a boom is still confined to the textbooks, and the advent of the stock market and the expectations of the financial community as key macroeconomic factors have hardly facilitated this task: certainly not for the Fed, which, from 1998 onward, had "a difficult public relations task on its hands: explaining that monetary policy was not targeting the stock market, but that it nonetheless had to take the impact of stock prices on the economy into account" (p. 70). Though the wealth effect was and still is something of a myth, at least its macroeconomic effects might have been overrated, especially when its personal distribution is taken into account (Tracy, Schneider 2001, Baker 2001, Heilemann et al. 2000, pp. 26 ff.). Unfortunately, this question has not particularly stimulated the authors' interest; instead they have accepted the widely held view of a 2–6 cent increase in private consumption for each dollar of private stock wealth increase. (It will be interesting to see whether in mature economies "stocks" in general and wealth in particular become major determinants of economic behaviour.) – For the record: well into 2000, there were no signs that the pace of economic development was slowing down – perhaps the cycle was really obsolete? And rates went up.

The policy account, especially that of monetary policy, is comprehensive. A new factor in particular represents the quantification of policies (monetary, fiscal, wage) and of "good luck" factors (exchange rate, oil prices, productivity) and their effects. Such quantification has been done on the basis of simulations of the Washington University Macro Model (WUMM) of *Macroeconomic Advisors* in St. Louis and of the Fed' s own FRB-US model. (Is this the same model that produced the systematically wrong forecasts by the Fed cited by the authors above?). While some of the results differ rather widely in terms of magnitude, both models are compatible insofar as the signs of the reactions are concerned. The question as to whether this holds true only for the three target variables – growth, inflation, and unemployment – presented in the tables is still an open one, since there is not much information about the propagation of the various impulses nor has, which is usual, their size been much discussed. But for a proper evaluation of the results it does well matter whether the impulses have triggered investment, consumption, exports, or imports and whether they have led to imbalances of distribution or of production? The magnitude of wealth effects is still a matter of dispute, although they seem to have become more important during the "fabulous decade": both for the economy as a source of growth and for monetary policy as a manifestation of inflation to be observed. If there have been no wealth effects – the recently quoted high returns on stocks (Tracy, Schneider 2001) already show up in income! – the marginal propensity to consume must have increased considerably[5]. In any case, the advent of the boost in private consumption has affected monetary policy assessment. At the moment, this means a more sceptical view on monetary

[5] From 1997 to 2000, private consumption as a percentage change of private disposable income increased from 0.92 to 0.96 – a level unprecedented after 1980 at least.

policy's potential to engineer a quick recovery. The stock market has lost about 25 percent of its peak value, and in early 2001 the indebtedness of private households reached 100 percent of their disposable income (1991: 80 percent); the corporate debt/GDP ratio now stands at about 48 percent (1991: 38 percent).

Though the book has not specifically been addressed to users of econometric models, the simulation results would have been easier to accept for most of the other readers if the simulation results had been linked to the architectures and patterns of reaction of the two models. Both models have been labelled "Keynesian" in the short run and "classical" in the long run in which context the Fed's model is somewhat slower than the WUMM (p. 13) in propagating monetary impulses. Although such types of classification are common, they do not tell us much about the models' reactions.[6] Besides, information about the various financial influences on consumption emanating, for instance, from stock markets, bonds markets, housing markets, or private-households indebtedness would be highly appreciated. Can these influences be reliably tracked in consumption functions, and what was their contribution to the consumption boom (see above)? Again, the absence of impulse propagation is highly regrettable and unnecessary, and it hardly increases the reputation of macroeconometric models for policy analysis. Moreover, there still is the cognitive problem of constant parameters addressed below. The "pragmatic numerology" (*Brunner*) of macroeconometric models is no unknown reason for complaint, and it seems to be the price to be paid here for a few more numbers.

Nor does the book address the very basic questions of fiscal consolidation in 1993/94 – what were the net costs of budget consolidation in terms of GDP growth, employment etc., and to what degree was this compensated for by a more relaxed monetary policy? Or were there no such costs at the time? In their summary (p. 84), the authors do indeed acknowledge the existence of such costs. Back-of-the-envelope calculations using common macroecononometric multipliers suggest that, over three or four years, monetary policy more than compensated for the

[6] Even the theoretical foundations, i.e. the reaction functions, of medium-sized macroeconometric models are – *faute de mieux* – eclectic. If "Keynesian" stands for short-term demand management, any model designed for this purpose could be called "Keynesian". Most likely, the two models would have been much better characterised if they had been deemed representing the "new/old consensus", a combination of Early Keynesianism, Monetarist, Early New-Classical, and Real Business Cycle theories as suggested by one of the two authors ten years ago (*Blinder* (1992)).

Table 1

Macroeconomic effects of selected policies and events

1993 to 1999; rates of change against previous year in percent[1]

	GDP							Inflation							Rate of unemployment						
	1993	1994	1995	1996	1997	1998	1999	1993	1994	1995	1996	1997	1998	1999	1993	1994	1995	1996	1997	1998	1999
Monetary policy[2]	0.7	0.3	0.1	0.3	0.0	–	–	0.2	0.6	0.7	0.7	0.4	–	–	–0.4	–0.6	–0.5	–0.6	–0.3	–	–
Fiscal policy[3]	0.8	0.5	–0.3	–0.4	–	–	–	0.2	0.2	0.3	0.4	–	–	–	–0.2	–0.5	–0.5	0.3	–	–	–
Wage policy[4]	–	–	0.1	0.6	0.7	0.3	–0.2	–	–	–0.5	–1.0	–1.0	–1.1	–0.7	–	–	0.0	–0.3	–0.7	–0.8	–0.7
Policy	1.5	0.8	–0.1	0.5	0.7	0.3	–0.2	0.4	0.8	0.5	0.1	–1.7	–1.1	–0.7	–0.6	–1.1	–1.0	–1.2	–1.0	–0.8	–0.7
Exchange rate rise[5]	–	–	0.0	–0.2	–0.7	–1.6	–1.9	–	–	–0.1	–0.4	–0.7	–1.4	–1.2	–	–	0.0	0.1	0.3	1.0	1.8
Oil price decrease[6]	–	–	–	–0.1	0.1	0.3	0.2	–	–	–	0.3	–0.1	–0.7	0.0	–	–	–	0.1	0.1	–0.1	–0.3
Productivity jump[7]	–	–	–	1.0	1.3	1.3	1.4	–	–	–	–0.6	–0.7	–0.7	–0.7	–	–	–	–0.2	–0.4	–0.5	–0.7
Good luck	–	–	0.0	0.7	0.7	0.0	–0.3	–	–	–0.1	–0.7	–1.5	–2.8	–1.9	–	–	0.0	0.0	0.0	0.4	0.8
Total	1.5	0.8	–0.1	1.2	1.4	0.3	–0.5	0.4	0.8	0.4	–0.6	–2.5	–3.9	–2.6	–0.6	–1.1	–1.0	–1.2	–1.0	–0.4	0.1

Author's computations, based on Blinder, Yellen 2001. – 1) Averaged results of the *Washington University Macro Models* (WUMM) and the *Fed-US Macro Model*, real interest rates held constant, with the exception of "Monetary policy"; fourth quarter results, rounded. – 2) Ibid. Tables 3.1, 5.2 and 5.3. – 3) Effects of the "Bond Rally" triggered by the announcement of government to reduce deficit, ibid. Table 4.1. – 4) Table 6.2. – 5) Table 6.3. – 6) Ibid. Table 6.4. – 7) Table 8.2.

macroeconomic losses of consolidation of around one percent of GDP (Heilemann et al. 2000, pp. 54 ff.). But if there were no costs of deficit reduction, there would not have been any need for a monetary stimulus either. The announcement of deficit reduction would have been sufficient to compensate for "first round" GDP losses. Indeed, according to the authors, some of this did actually happen. The announcement of deficit reduction was followed by a bond market rally (pp. 19 ff.) which had stronger stimulating effects in 1993 and 1994 than a more relaxed monetary policy. In recent years, authorities involved in monetary and even fiscal policy in the OECD countries often argued this way, at least implicitly. For that reason the evidence presented by Blinder/Yellen is most interesting and will stimulate a closer examination of the circumstances having led to this result. Again, details would have been helpful in this case (though deficits as a means of reducing growth has probably still a long way to go).

Summarising the authors' various simulation results, Table 1 shows that about three quarters of the gains in growth in the decade have to be attributed to policy, while almost all reductions in the inflation rate were the result of "good luck". Given its importance for monetary policy and, hence, for growth, the actual contribution by good luck has, no doubt, been much greater than that of "good policy" – apparently not quite the outcome the sponsors had in mind for the study (p. vii). The picture differs over time: monetary and fiscal policies dominated the first part of the decade, wage policy and "good luck" the second. Interestingly enough, the strongest influence came from a rising productivity trend and, at the very end of the decade, from the exchange rate hardly noticed until recently.

By common *cliometric* simulation standards the picture drawn by Blinder/Yellen seems to be complete. But it is not. While showing in detail the consequences of policies and "good luck" factors, it disregards – as already indicated – possible changes in macroeconomic *behaviour*. This possibility has been implicitly acknowledged and, in one case (change in the productivity trend), been tested for and simulated. This has, regrettably, not been done for the behaviour of consumers and investors or with wages and prices. Perhaps Blinder/Yellen deem most of these changes to be temporary and, for some activities such as (macroeconomic) price behaviour, they may be right [7]. However, this would be more convincing if

[7] This is the finding of an intertemporal analysis of price behaviour by *Brinner* (1999). However, the study is not very comprehensive and fails to examine in particular changes in the 1990s.

these beliefs or those implied by the two models had been tested as well. Such tests might also have given certain indications as to whether the observed changes are permanent or not. As to productivity, its four-year average growth (figure 8.1, p. 60) does not indicate that the recent increase will last long which seems to be confirmed by data recently revised downward.

What are the lessons of the "fabulous decade"? For economic policy, Blinder/Yellen have concluded that "*fine tuning is at least possible. If not, we would like to know what Alan Greenspan has been up since 1992.*" (p. 83). More specifically, they postulate that monetary policy should be seen as the main instrument for stabilising the economy, whilst fiscal policy is seen as a long-term allocation tool with occasional exceptions being allowed. These assignments are hardly new and have, for more than thirty years, been made on the basis of varying arguments, including the ones used by Mr. Greenspan and his colleagues in recent years, who are children of their time, as long as these arguments have not been successfully employed in a large variety of circumstances, in the same way as such assignments have been before[8]; similar doubts may arise in connection with the conclusion, hard to contradict by definition, that "*well designed fiscal policy rules can effectively constrain spending*" (p. 84), especially when the considerable contribution of the "peace dividend" is taken into account. The durability of some of the present conclusions is even shorter than could have been guessed from previous experience: Mr. Greenspan and Mr. Blinder very much welcomed President Bush's 2001 tax cut; Blinder even regretted that to have a sizeable impact on the near-recession economy, the 2001 tax cut of 400 bill. $ (0.5 % of GDP) could have been even higher (*Wall Street Journal,* August 27, 2001). The authors demanded above all that central banks commit themselves to the goals of reducing both inflation and unemployment. This sounds irreproachable and is, of course, addressed not to the Fed, but to the (old) Bundesbank and the (new) European Central Bank. Though many on both sides of the Atlantic may sympathise with that view, it has hardly been underpinned in the study. First, it should be remembered in Europe that half of the growth of the US economy in the 1990s was due to demographic factors, i.e. to both natural population growth and immigration in equal proportion. Second, the authors' exhor-

8 Over the last 30 years, such assignments have gone through a full cycle, though with different arguments. Analysing the first oil crisis and its consequences, by the way, also with a macro econometric model, *Eckstein* (1978, p. 149) argues very much *in favour* of fiscal policy to stabilise the economy.

tation and conclusions do not say anything about the relationships between inflation and unemployment, or about whether conditions such as wage/price behaviour, the sectoral structure of production or the labour market flexibility prevailing in Europe are the same as in the USA. There are only a few international macroeconometric models backing the authors' optimism. Third, one still wonders whether the "cooperative" US fiscal policy was not just necessary, but also sufficient for making the decade a "fabulous decade". At least in 1996/97, which was one of the most critical periods of this decade, wage behaviour was an important factor behind improved economic growth as well as reduced inflation and unemployment, as the model simulations show. – All good things go together – but not necessarily in the short term.

While most of these and other "lessons" seem to be plausible, Blinder/Yellen seem to have forgotten that these lessons are based on the experience of only *one* decade or, in some cases, even just *half* a decade. In addition, much of the foundation of success had been laid in the years before, and some of the good news recently revised have ceased to exist. Furthermore, the success was initiated more by responding to urgent demands for deficit reduction rather than by carefully planned and orchestrated policies. Nor does the study consider the role of potentially just temporary shifts in wage and price behaviour or of "good luck" factors (including the views of a Fed chairman widely held to be uniquely gifted). After all, the US experienced a political constellation in which fiscal policy did not have many choices for a long time.

Against this background, it is also difficult to accept the assignment of short term economic stabilisation exclusively to monetary policy. The Fed had guided the US economy into and out of the recessions of previous cycles. This was so because of the special nature of the macroeconomic problem that had to be controlled (inflation) and because of the way in which this was engineered (by slowing the economy down). In the future, things may be different. First, a crisis may turn out to be a "classical" one caused by over-investment or over-consumption (like the present one) instead of a "stabilisation crisis" of the kind known from the last three decades. Second, there may be financial and political scope for fiscal-policy action as is the case at present. To that extent, the "fabulous decade" is not too new an experience, and still a very limited one. Even if monetary policy had engineered a soft landing in 2001 as it did in 1994/95 according to Blinder/Yellen, this would not prove that we have learned to "pull a string". While this lesson is increasingly being remembered for a number of reasons, the high indebtedness of consumers and investors – an unfortunate legacy of the "fabulous decade" – has been minimised by the two authors, if not neglected altogether.

More notable for economic policy-makers are the lessons of the "fabulous decade" for *economists*. Unfortunately, the authors are not as explicit about this as they are on policy. Nevertheless they show clearly that many economists' extrapolations of mostly short-term experiences with statistical simplifications and precarious shortcuts like the *Phillips* curve or the NAIRU, habitually rigid and often reflected in an insufficient depth, have prevented them from fully grasping the chances of the day. Here too, chairman Greenspan had to forbear, only to be backed later by studies produced by the Fed and Reserve banks. But the history of professional perception of the decade also waits to be written. This, even if done by economists, may further strengthen the view of economics as a non-cumulative discipline. Nonetheless, the view expressed by Blinder/Yellen will be an influential analysis. The study has not answered all questions and even failed to address some of them, but the macroeconomic claim is on record. Future studies of the decade, especially its second part, may show that it was not quite as fabulous as perceived by many. They may also find that "good luck and related historical events" (p. 1) played a much greater role than initially thought. But the main lesson that a resolved fiscal policy together with a skilful, forbearing monetary policy can accomplish much more than politicians and economists had the courage to expect in recent years will be hard to challenge.

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Summary

Good Policies and Good Luck – What the U.S. "Fabulous Decade" teaches us and what it does not

The study by Blinder/Yellen is one of the first to examine the macroeconomics of the long upswing in the USA in the 1990s. The authors convincingly reveal the interactions of monetary and fiscal policies and of the many "good luck" factors giving the USA the benefit of vigorous and inflation-free economic growth even in the boom period between 1996 and 2000. However, the study suffers from the fact that far-reaching conclusions have been reached from this brief tension-free period for the stabilisation capacity of monetary policy. It is also to be noted that the legacy from the Clinton Presidency – foreign trade deficit, indebtedness, low savings rate and/or over-investment and over-consumption – has practically been ignored. Thus the picture drawn by Blinder/Yellen has to be qualified also in this respect. (JEL C300, E650, N100)

Zusammenfassung

Gute Politik und Glück – Was uns die fabelhaften 90er Jahre der USA lehren und was nicht

Die Arbeit von Blinder/Yellen ist eine der ersten, die sich mit dem makroökonomischen Hintergrund des langen Aufschwungs der USA in den 90er Jahren auseinandersetzt. Sie arbeitet eindrucksvoll das gute Zusammenspiel von Geld- und Finanzpolitik und die Rolle einer Reihe „glücklicher Umstände" heraus, die den USA auch in der Boomphase 1996 bis 2000 ein kräftiges, inflationsfreies Wachstum ermöglichten. Die Darstellung leidet allerdings darunter, daß aus dieser kurzen spannungsfreien Periode bereits sehr weitgehende Schlußfolgerungen bezüglich der Stabilisierungsmöglichkeiten der Geldpolitik gezogen werden. Hinzu kommt, daß das Erbe der Clinton-Jahre – Außenhandelsdefizit, Verschuldung, niedrige Sparquote bzw. Überinvestition und -konsumtion – praktisch ignoriert wird. Auch insofern ist das von Blinder/Yellen gezeichnete Bild erheblich zu relativieren.

Résumé

Bonne politique et chance – ce que les fabuleuses années 90 aux Etats-Unis nous apprennent et ne nous apprennent pas

Le travail de Blinder/Yellen est un des premiers qui examine la macroéconomie de la longue période de croissance aux Etats-Unis dans les années 90. Les auteurs révèlent de manière convaincante la bonne interaction entre la politique monétaire et financière ainsi que le rôle d'une série d'«évènements heureux» qui ont également permis aux Etats-Unis dans la phase de boom de 1996 – 2000 de jouir d'une forte croissance sans inflation. Cependant, leur étude souffre du fait que cette période de fortune était beaucoup trop courte pour garantir des conclusions générales concernant la capacité de stabilisation de la politique monétaire. A ceci s'ajoute que l'héritage des années Clinton – déficit commercial extérieur, endettement, faible taux d'épargne, surinvestissement et sur-consommation – ont été pratiquement ignorés. Pour cette raison aussi, les résultats de Blinder/Yellen doivent être considérablement relativisés.