

The Economy in Perspective

Malaise...In 1979, Jimmy Carter told the American people that we were experiencing a “crisis of confidence” in our country. The Misery Index, the sum of the unemployment and inflation rates, registered 18. The U.S. economy was heading into recession, inflation was measured in double digits, and the stock market was mired in a slump. The president feared that prior assassinations of political leaders, the “agony of Vietnam,” and the “shock of Watergate” had inflicted deep wounds on the nation’s psyche, wounds that had not yet healed. He believed that people were struggling to find meaning in their lives and a sense of national purpose.

The proximate cause of the president’s melancholy was the country’s dependence on imported oil. His “crisis of confidence” speech culminated in a promise that the United States would never use more foreign oil than it did in 1977. Even though the nation was at peace, the president claimed that dependence on foreign oil threatened our economic independence and national security. He proposed a massive program to develop domestic fuel sources, encourage energy conservation, and promote public transportation.

President Carter believed that the nation’s inability to come to grips with its foreign energy dependence lay behind the public’s lack of confidence in government, the economy, and themselves. Ironically, his speech ultimately caused many to lose confidence in him. The president’s political opponents succeeded in portraying him as a weak leader. Ronald Reagan accepted his party’s nomination as their presidential candidate almost exactly one year after Carter’s plea for public support. In his convention speech, Reagan lamented that the country faced “three grave threats to our very existence, any one of which could destroy us...a disintegrating economy, a weakened defense, and an energy policy based on the sharing of scarcity.”

Few recognized on election day in 1980 that the United States stood on the threshold of a far more

prosperous era, one of dramatically lower inflation, vigorous employment and economic growth, significant improvements in productivity, and a soaring stock market. Many explanations have been offered for this extraordinary reversal of national fortune. Some analysts emphasize the economic or political policies of various people and parties; others stress the importance of simultaneous developments in Asia and the former Soviet Union. Technology certainly deserves credit for shaping the environment. And then there is the random contribution of luck. How history will ultimately allocate the credits and the blames remains to be seen, but it is certainly true that our nation and the spirit of its citizens did not fulfill Jimmy Carter’s worst fears.

Today, by many measures, the U.S. economy is stronger than it was 25 years ago. Living standards are significantly higher. The Misery Index stands at 9, half the rate in 1979. Yet consumer and business confidence in the economy languishes once again as the economy works its way out of another recession. The stock market, once the embodiment of the nation’s preeminence in global capitalism, remains flat on its face after a painful collapse.

Terrorism threatens the safety of American and pro-Western interests around the world, and, in conjunction with religious fundamentalism, menaces the stability of some allied political regimes. Oil prices have been rising as geopolitical tensions have escalated. Although the U.S. economy is far more energy efficient today than it was in 1979, the energy independence Jimmy Carter so desperately sought has never been achieved. The circumstances differ, but Ronald Reagan’s citation of national defense, our energy policy, and the economy as the critical issues of his time regrettably rings true again today.

Will today’s worries be succeeded by the kind of future that followed Jimmy Carter’s presidency? Will domestic and international actions, combined with good fortune, be enough to create such a future again? The nation and the world await the answers.