History is the standard (a tenuous one at best) by which we often measure current macroeconomic performance. According to the Commerce Department's recently released output indexes, long-term growth in the U.S. slowed from an average annual rate of 4.2% between 1950 and 1973 to 2.5% between 1974 and 1996. Growth in our standard of living, measured in terms of real per capita personal consumption expenditures, also decelerated, from 2.6% per year to 1.9% over the same time frames.

The composition of GDP has changed as well. In 1952, for example, exports and imports each accounted for slightly more than 4% of total output. By 1996, those shares had risen to 12.0% and 13.6%, respectively. Although personal consumption expenditures have remained a fairly constant two-thirds of GDP since 1952, the fraction of that spending devoted to services has ballooned from one-third to more than one-half.

The U.S. has experienced nine economic downturns since 1948. Although differing substantially in depth and duration, these contractions have averaged nearly four quarters, with a 3.1% annual output loss. The correlation between the duration of a contraction and the accompanying output loss suggests that mild downturns are generally longer lived. Expansions last longer than recessions—almost 18 quarters on average—with an average annual growth rate of 4.8%. Long recoveries appear to proceed more slowly.