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A Two-Handed Approach to Secular Stagnation: Some Thoughts Based on 1930s Experience[1]

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1. Introduction

In this short paper, I will use the Great Depression of the 1930s and the subsequent recovery in the United States as a point of comparison for recent trends in productivity growth and insight into their sources. I will provide some cautions about TFP measurement. And I will take a two-handed approach to the debate over supply- versus demand-side interpretations of the productivity slowdown, concluding that both are important.

Why the 1930s provide a useful perspective on current concerns over secular stagnation should be obvious. The Great Depression of the 1930s and the Great Recession of 2008-9 were the two great financial crises of the past century. If one wants to understand how the Global Financial Crisis of 2008-9 affects the prospects for economic growth, and for productivity growth in particular, then the 1930s are an obvious place to look. Recovery from the Great Depression was troubled, just like recovery from our recent financial crisis was troubled. Actually, one shouldn't say "just like." In fact the two recoveries were quite different, as I will