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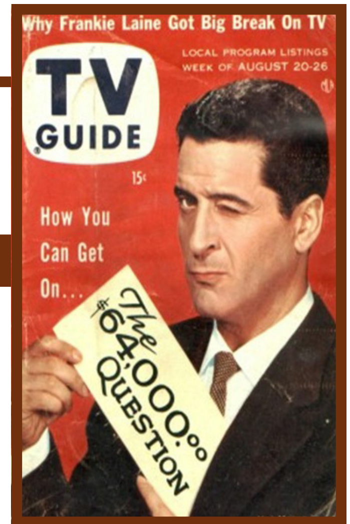

Today's $64,000 Question

During the 1950s, the television show, *The $64,000 Question*, was so popular with American viewers that the quiz show's ratings exceeded all other television competition, including classics like *I Love Lucy*. In fact, during its broadcast, President Eisenhower even advised his aides not to disturb him, and foot traffic in movie theaters and restaurants noticeably decreased.

Human nature propels to seek answers to questions. People today are just as inspired and interested in the country's big questions as our parents and grandparents were over 60 years ago. Today, the economy's $64,000 Question is:

Are we in the midst of another 1950s-type boom right now?

As we move into June, the US economy will pass a new milestone. Our current economic boom will become the second-longest in recent US history, second only to the technology and dot-com boom of the 1990s into 2001. June marks the month where our current boom, at nearly 9 years old, surpasses the duration of the economic boom of the 1960s, spurred on by the Vietnam War, spending related to LBJ's Great Society Programs, and the advent of consumer credit-driven spending. Said to have started in 1961, many contend that the 1960s-era boom was actually an extension of the post-war economic expansion that spanned the first post-war years into the late 1960s. Several post-war recessions, in 1949, 1953, 1958, and 1960, prevent us from counting the entire period as one uninterrupted boom.

But, if we look back to the era of *The $64,000 Question*, how does our current economic boom compare to the 1950s, that prosperous decade remembered today as the glory days of American society?

An introduction to the 1950s-era US economy: Gross Domestic Product (GDP) growth and government spending in the US surged in the 1950s as post-war euphoria helped return the US to prosperity and secured its newly-achieved position as the world's most powerful country. The 1950s saw significant spending from returning WWII veterans, and from holders of maturing war bonds, who helped fuel our country's mid-century housing boom. Increased automobile production and the manufacturing of new technologies such as the television also fueled economic expansion, as did spending for the Cold War, a new reality in 1950s America. In addition to increased defense spending, the Cold War also generated public works projects such as the Federal Aid Highway Act of 1956, designed to provide high-speed evacuation routes in case of attack from the nation's enemies.

Closer to home, in Investment Counsel's newsletter, *Annual Forecast for 1956*, we cited an "era of expansion and speculation" and optimistically anticipated "continued [economic] activity at a high level, with some industries operating at or near capacity." In that January 1956 *The Investment Letter,* higher personal consumption expenditures, increased construction, larger outlays by industry for plant and equipment, inventory build-up, and upward trends in public works spending were all listed as factors bolstering that period of expansion. However, worried about their economy's vulnerabilities to eventual decline. There was concern how long the economic boom could last. We have the benefit of hindsight to tell us that that mid-50s boom held on until 1958.

However, while we have similar concerns about when and how our boom will end, we cannot know the future. But, we can compare the 1950s-era economy to ours today:

Comparing our Times to the 1950s

GDP grew more in the 1950s. GDP grew by more than 50% between 1950 and 1959, and by more than 8% annually in 1950 and 1951, during the Korean War. Compare that to the modest 15.3% growth we have seen between 2008-2017.

Long-term unemployment was lower in the 1950s. With the brief exception of 3% unemployment in the early 1950s, unemployment averaged 4.5% during the entire decade. That's roughly equal to the 4.4% unemployment rate at end of 2017, but significantly lower than the nearly 7% we have averaged in the last 10 years.

Inflation was slightly lower in the 1950s. Through the 1950s, inflation rates stayed relatively low, averaging a familiar 2.25%, 1.33% if you remove the years of 1950 and 1951. Recently, inflation has remained steady at the 2.0% level, and has averaged 1.6% a year since 2008.

Oil cost less, but gas cost roughly the same (in real terms). Oil prices were much less volatile in the 1950s. In today's dollars, a barrel of West Texas Intermediate, in January 1950, would have set you back $27.40. If you had waited until the end of the decade, that same barrel would have cost $25.31, again, in real terms. In fact, during the entire decade, oil prices stayed within the same 15% range, varying between $24-$28 a barrel, quite a less than the $68.57 price tag a barrel carried in April 2018. Gas prices also stayed within a narrow band during the 1950s, between $0.27 and $0.31 per gallon, or between $2.68 and $2.87 in today's dollars. AAA reports that the national average for a gallon of regular unleaded currently runs about $2.81.

The cost to borrow money was relatively equal. In our time, interest rates have remained at historically low levels. Current 30-year fixed-rate mortgages are averaging about 4.7% in early May, at the time of this writing, which is roughly comparable to rates for 30-year fixed mortgages during the 1950s.

Overall, how do the 1950s compare to today?

Politically, socially, and economically, the 1950s were a vastly different time. However, we do share our current economic prosperity with America's 'golden years.' But, unlike the economic prosperity of the 1950s, ours has lasted uninterrupted much longer.

The United States suffered no fewer than two recessions during the 'prosperous' 1950s. Our $64,000 Question asks what sets us apart now, where we've passed into the second-longest economic boom on record?

It could be our slow, steady GDP growth – different from the GDP growth of the 1950s. Our economy has experienced slow, balanced, and sustainable growth that has kept inflation low and prevented the economy from overheating. While unemployment has recovered slowly over the past decade (leading to our comparatively higher, long-term unemployment), and wages have just started to increase, our slow recovery from the Financial Crisis is what has saved us from the boom-to-bust-to-boom cycle we experienced in the 1950s. Economists generally believe that the expansion will continue, at least through mid-2019, when it will become the longest in recent history.

And, maybe, 60 years from now, Americans of the late 21st century will look back on the 2010s as the new glory days of the US economy. ■