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A Personal View of Five Decades of Recessions*

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Abstract: Since 1970, the U.S. has experienced seven recessions of various lengths, severity, and regional impacts. This paper explores these seven recessions and describes the causes, severity, length, and regional impacts of each recession. The key takeaway from this study is that exogenous energy shocks and oil prices matter as they contributed to four of the six recessions. In addition, Federal Reserve policy matters as in three of the six recessions, the Federal Reserve either directly caused or contributed to the decline.

On a regional level, the severity and duration of recession are determined by where you live. The Plains region was consistently the least impacted by downturns in the economy. The Rocky Mountain region was next in being less cyclically sensitive to economic downturns.

Since 1970 the U.S. has experienced seven recessions of various lengths, severity, and regional impacts. This paper explores these seven recessions and describes the causes, severity, length, and regional impacts of each recession.

Table 1 presents the timing of the seven recessions, the duration, and the previous length of the expansion. The longest recession was the Great Recession of 2007 through 2009. That recession lasted 18 months and followed, up until then, the longest economic expansion on record (120 months).

The shortest recession was the COVID-19 recession which lasted just two months. The Covid-19 recession ended the longest economic expansion of 128 months. At the time, there did not seem to be any underlying issues with the economy, but for Covid that expansion could have continued for some time.

Table 2 shows the average peak-to-trough and the average trough-to-peak of recessions (peak-to-trough) and expansions (trough-to-peak) for four historical periods. Before 1900, the average recession lasted under two years, while the average expansion lasted just over two years. This represents a very volatile economy and is probably the result of no central bank in the U.S. and the continued financial panics. Between 1900 and 1940, things improved but not by much. From 1940 to 2000, there was a substantial improvement in the cyclical nature of the U.S. economy, as expansions are now five times as long as recessions. In the 21st century, the cyclical nature of the U.S. economy is almost nonexistent, as expansions last on average 107 months while recessions last only nine.

Table 3 presents the peak and the trough for the seven recessions since 1973. It also identifies the proximate cause(s) for the seven recessions. This paper will look at the regional

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Table 1

Peak		Trough		Duration	Trough to Peak
November	1973	March	1975	16	36
January	1980	July	1980	6	58
July	1981	November	1982	16	12
July	1990	March	1991	8	92
March	2001	November	2001	8	120
December	2007	June	2009	18	73
February	2020	April	2020	2	128

Source: Business Cycle Dating, National Bureau of Economic Research (NBER): https://www.nber.org/research/business-cycle-dating, retrieved March 18, 2022.

implications of these seven recessions and identify which regions fared worse and which fared better.

All of the data used for national unemployment rates come from the National Unemployment Rates Series released by the Bureau of Labor Statistics[1]. All of the data used for state and regional unemployment rates comes from the State and Local Unemployment Rates Series released by the Bureau of Labor Statistics[2]. Finally, the regional definitions used in this paper are based on the Bureau of Economic Analysis Region Definitions[3].

Table 2

Period	Peak to Trough (Months)	Previous Trough to this Peak (Months)
1854-1900	23	27
1900-1940	19	26
1940-2000	10	53
2000-2021	9	107

1. 1973-1975 RECESSION:

The 1973 to 1975 recession began in December 1973 and lasted until March 1975. This 16-month recession had multiple causes starting with the 1971 Nixon Shock, where President Nixon announced a 90-day wage and price freeze, a 10 percent across-the-board import tariff, and an end to the U.S. dollar gold standard. These were sweeping changes to the underlying economy. When the Arab (OPEC) oil embargo in November of 1973 was announced, the price of oil went from $3 to $12 a barrel, and the U.S. economy slipped into a long and deep recession.

Figure 1 shows the pattern of the U.S. unemployment rate, which began the recession at 4.8 percent, peaked at 9.0 percent and was still at 6.8 percent four years after the recession

[1]https://data.bls.gov/pdq/SurveyOutputServlet, retrieved March 16, 2022.
[2]https://data.bls.gov/cgi-bin/srgate, retrieved March 16, 2022.
[3]https://www.icip.iastate.edu/maps/refmaps/bea, retrieved March 16, 2022.

Table 3

Peak		Trough		Cause
November	1973	March	1975	Arab Oil Embargo
January	1980	July	1980	Iranian Revolution/FED Policy
July	1981	November	1982	FED Policy
July	1990	March	1991	Iraq Invasion of Kuwait/FED Policy
March	2001	November	2001	Dot Com Bubble/FED Policy
December	2007	June	2009	Gas Prices/Housing Bubble
February	2020	April	2020	COVID

began. The 1973-1975 recession was primarily a manufacturing recession and impacted states with large manufacturing sectors the most. While we have no consistent state unemployment rate data prior to January 1976, the January 1976 state unemployment rate data show that 14 states still have unemployment rates greater than 10.0 percent, and 28 states still have unemployment rates above the overall U.S. rate of 7.9 percent. For the most part, the states hit hardest were located in the Great Lakes region, the New England region, and the Far West region.

2. 1980-1982 RECESSION

The 1980 to 1982 recession is two recessions, but because there was really no recovery from the 1980 recession and because the causes of both are the same, this paper lumps the two together. There are three principal causes for these two recessions. First is ten years of inflation starting in 1970. Between January 1970 and January 1980, the U.S. Consumer Price Index (CPI) more than doubled. For this 10-year period, the average annual inflation rate was 7.5 percent per year. The second cause was the 1979 Iranian Revolution and the subsequent oil price increase. The third cause was the Federal Reserve interest rate policy beginning in late 1979 which saw the Federal Funds Rate reach 19 percent in January of 1981 and again in June of 1981. Finally, in 1982 the new Reagan administration instituted discretionary spending cuts to contract government spending's impact on inflation.

Figure 2 shows the trajectory of the Federal Funds Rate during the 1980 to 1982 recession. During most of the 1970s, the Federal Funds Rate cycled along with the CPI. Beginning in October of 1979, the Federal Open Market Committee (FOMC) initiated a serious contractionary monetary policy program, and the Federal Funds Rate was used to not just cool the demand side of the economy but to actually cause a recession to once and for all end the inflationary issues of the 1970s.

Figure 3 presents the U.S. unemployment rate pattern during the 1980 to 1982 recession. Beginning in January 1980, the U.S. unemployment rate was 6.3 percent. The U.S. rate peaked at 10.8 percent in November and December 1982.

Figure 4 presents the regional unemployment rates during the 1980 to 1982 recession. The regional unemployment rates are based on the BEA regional definitions and are calculated using a weighted average of the states within the region. The Great Lakes region experienced

Figure 1: US Unemployment Rate

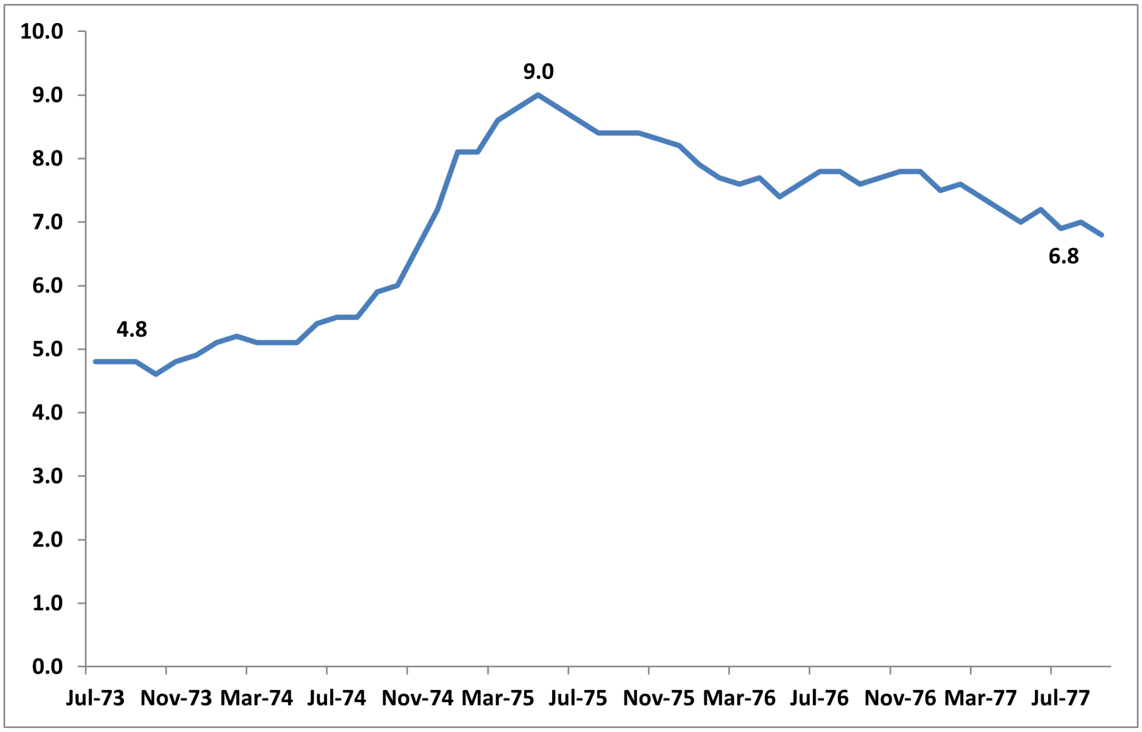


Figure 2: Federal Funds Rate

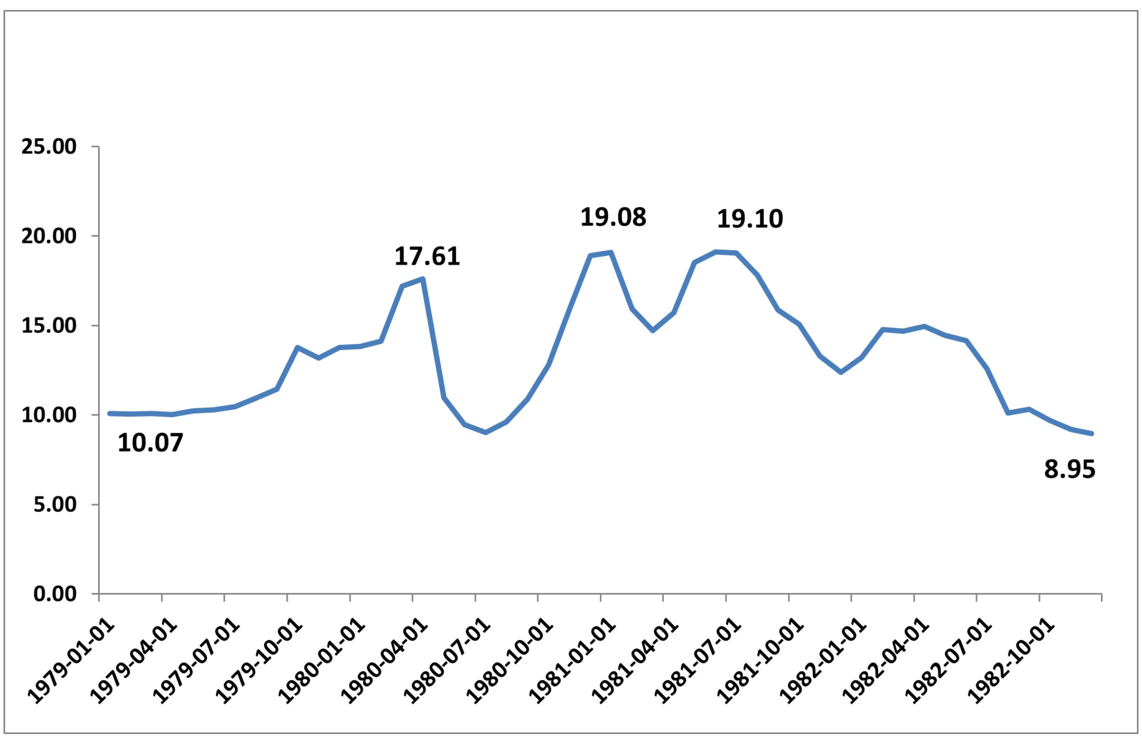
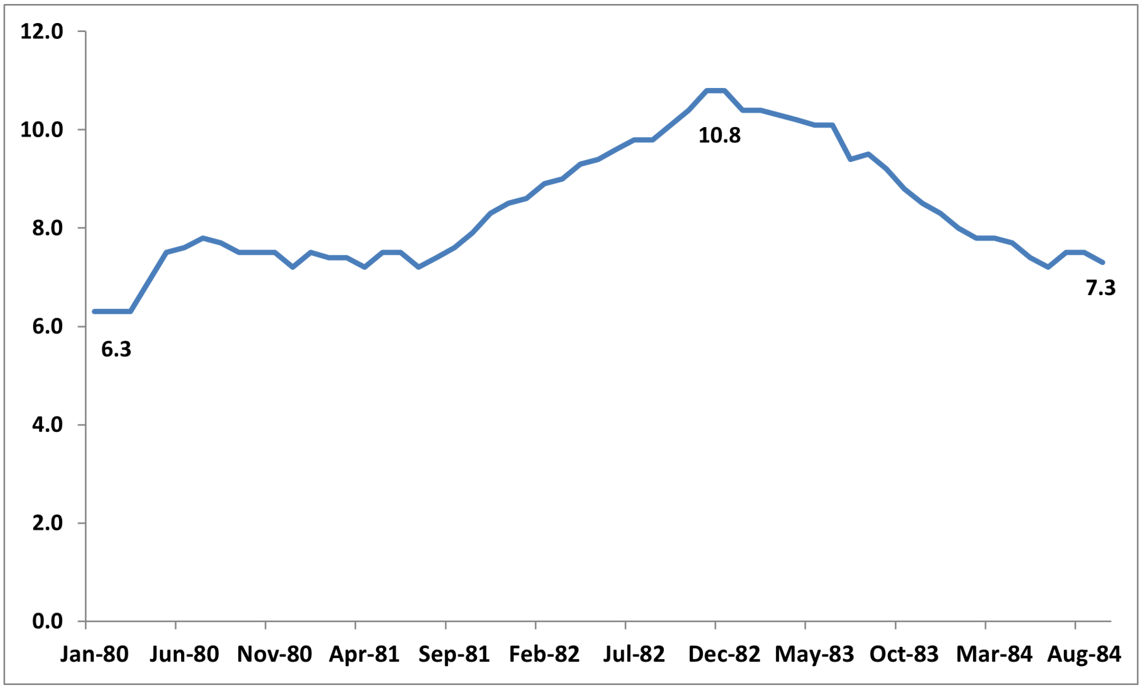


Figure 3: US Unemployment Rate



the highest average unemployment rate during the 1980 to 1982 recession. In contrast, the Plains region and New England experienced the lowest unemployment rates during the recession. The state with the highest peak rate during the recession was West Virginia at 20.0 percent, and the state with the lowest peak rate was South Dakota at 6.9 percent.

3. 1990-1991 RECESSION

The 1990 to 1991 recession had multiple causes beginning with the debt accumulation by baby boomers during the 1980s, a credit crunch induced by the overzealous banking regulator, and finally, the jump in oil prices caused by the invasion of Kuwait by Iraq. Figure 5 shows the trend in the U.S. unemployment rate over the recession and recovery. The U.S. unemployment rate peaked at 7.8 percent in June 1992. The 1990 to 1991 recession was far less severe than the previous 1980 to 1982 recession, with a peak unemployment rate 3.0 percentage points lower than the 1980 to 1982 peak.

Figure 6 presents the regional unemployment rate trend during the 1990 to 1991 recession. During this recession, the New England region and the Far West region experienced the highest unemployment rates. The plains region had the lowest unemployment pattern during the 1990 to 1991 recession, tracking considerably lower than any other region. However, just like the 1980 to 1982 recession West Virginia experienced the highest state rate at 12.7 percent. Again, a Plains region state, Nebraska, had the lowest peak unemployment rate of just 3.5 percent.

The 2001 recession had two principle causes. The first was the effect the Y2K problem had on investment after January 2000, and the second was the “Dot Com Bubble.” A third

Figure 4: Regional Unemployment Rate

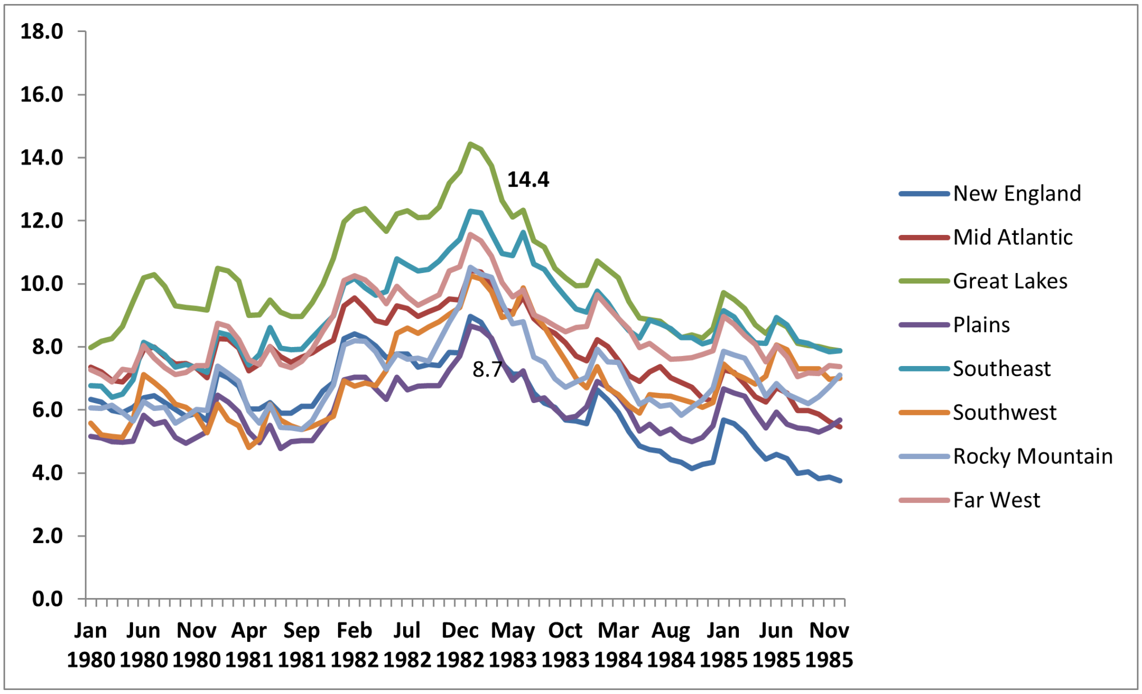


Figure 5: US Unemployment Rate (June 1990 - December 1993)

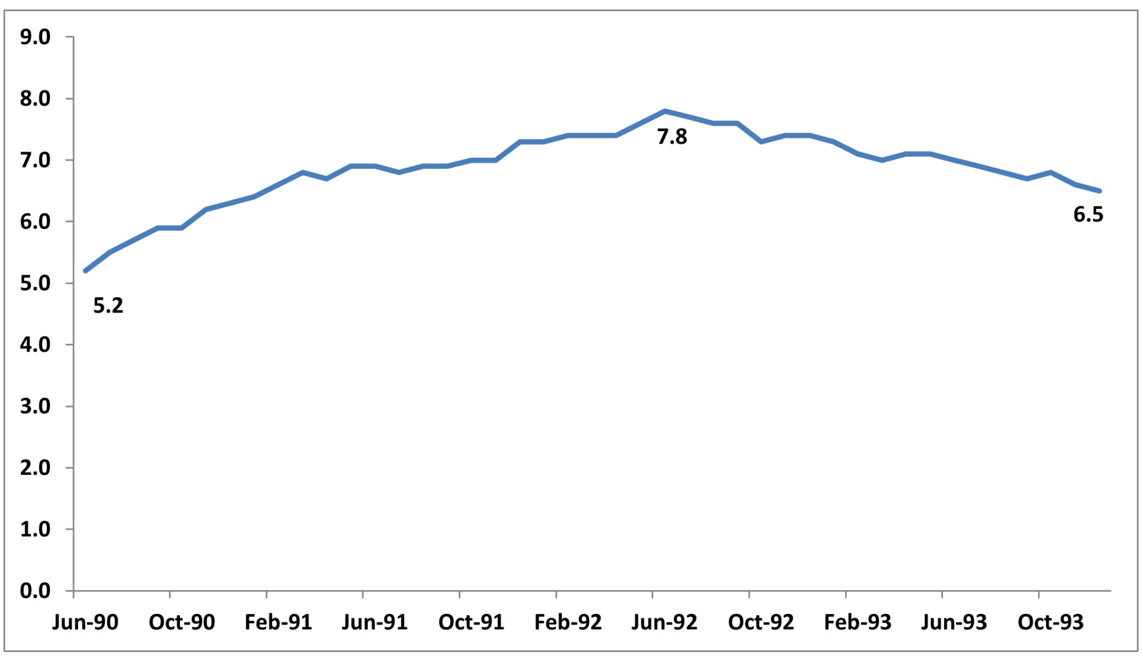
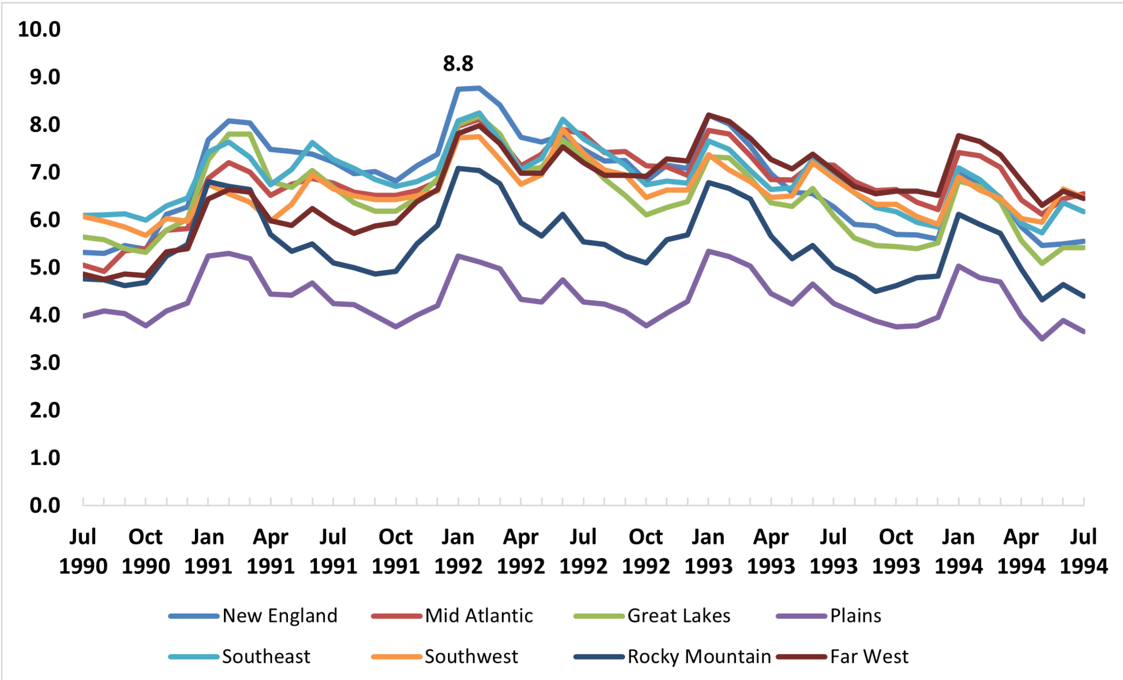


Figure 6: Regional Unemployment Rate



minor cause was the accounting scandals associated with the energy industry.

Figure 7 shows the U.S. unemployment rate pattern over the recession. The 2001 recession was fairly mild, as the U.S. unemployment rate peaked at just 6.8 percent. In addition, the 2001 recession followed the longest period of economic expansion on record. The U.S. economy achieved an uninterrupted expansion of 120 months prior to the recession beginning in March of 2001.

Figure 8 presents the regional unemployment rates during the 2001 recession. The Far West region had the highest unemployment rates during the contraction and the initial expansion period. The Far West region had a peak unemployment rate of 7.8 percent. Oregon had the highest peak state unemployment rate at 8.9 percent, and South Dakota had the lowest peak unemployment rate at 4.1 percent. Again, the Plains region suffered the least during the 2001 recession.

4. THE GREAT RECESSION OF 2007-2009

The Great Recession of 2007 to 2009 was the country's most severe recession since the Great Depression. This recession had a modest start in the summer of 2007 when U.S. gasoline prices reached the $4.00 level for the first time. This slowed consumer demand, and by December 2007, the economy was officially in recession. The real problems began in the spring of 2008 when the idea of a housing bubble began to appear. By September, after the failure of Lehman Brothers, the housing bubble rolled into a full-fledged financial meltdown.

Figure 9 presents the U.S. unemployment rate during the contraction and early expansion periods. The peak U.S. unemployment rate was 10.0 percent in October 2009. What made

Figure 7: US Unemployment Rate

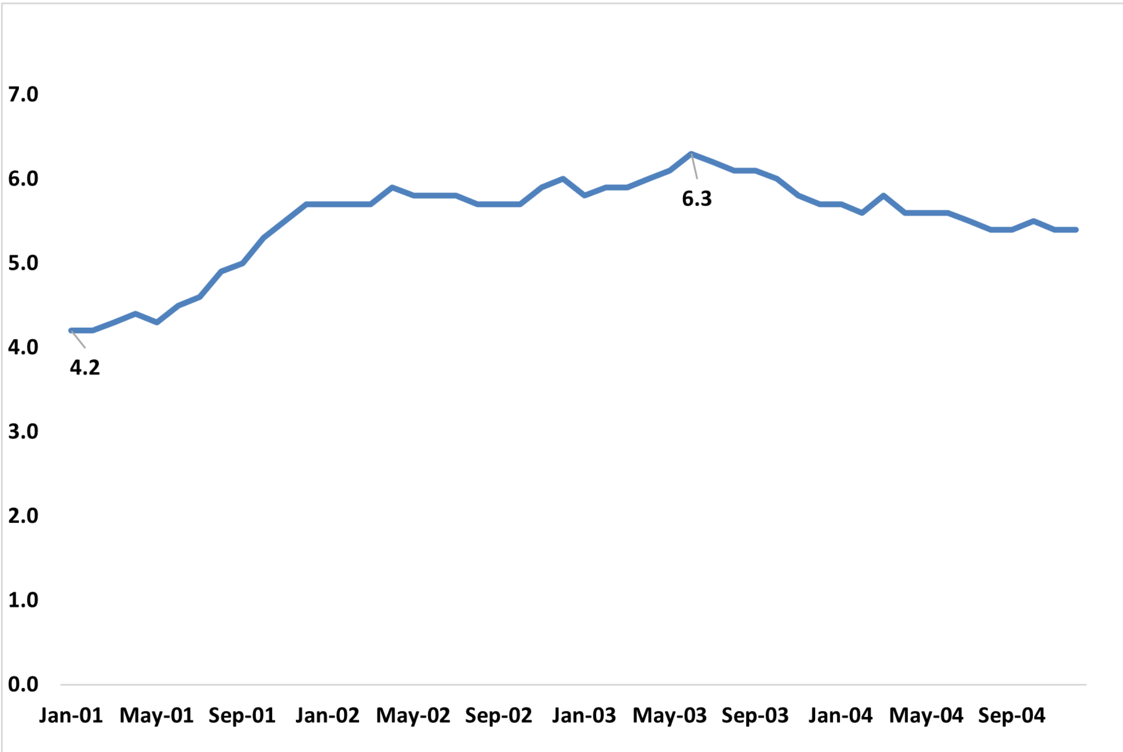


Figure 8: Regional Unemployment Rate

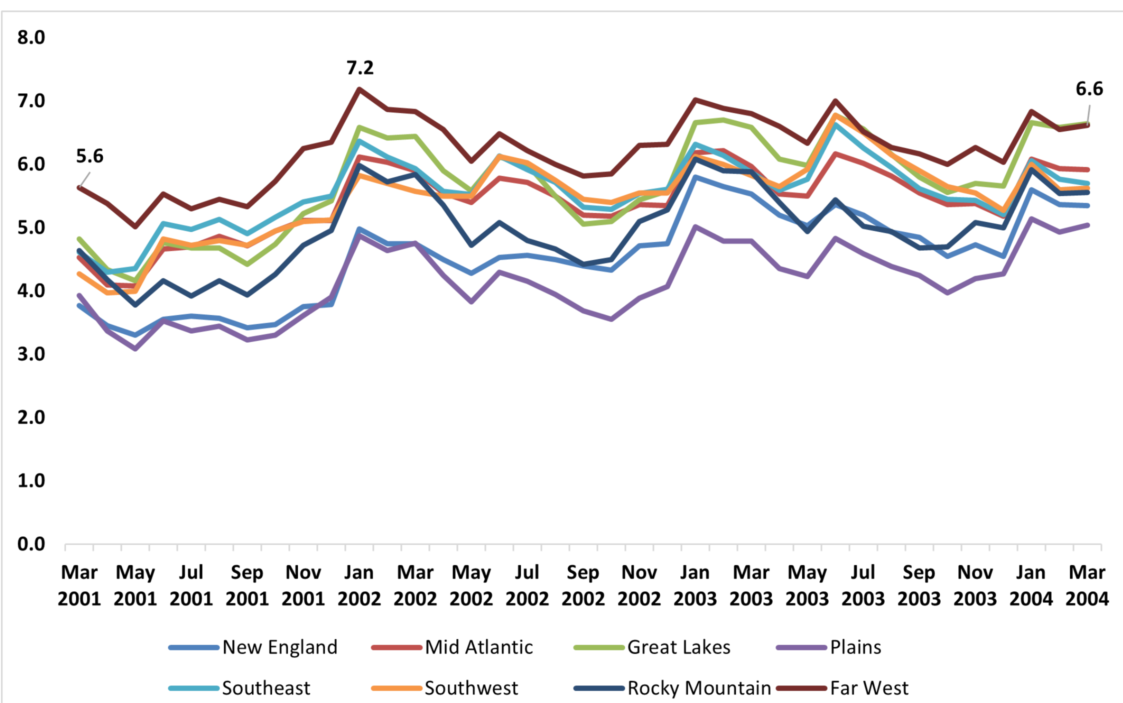
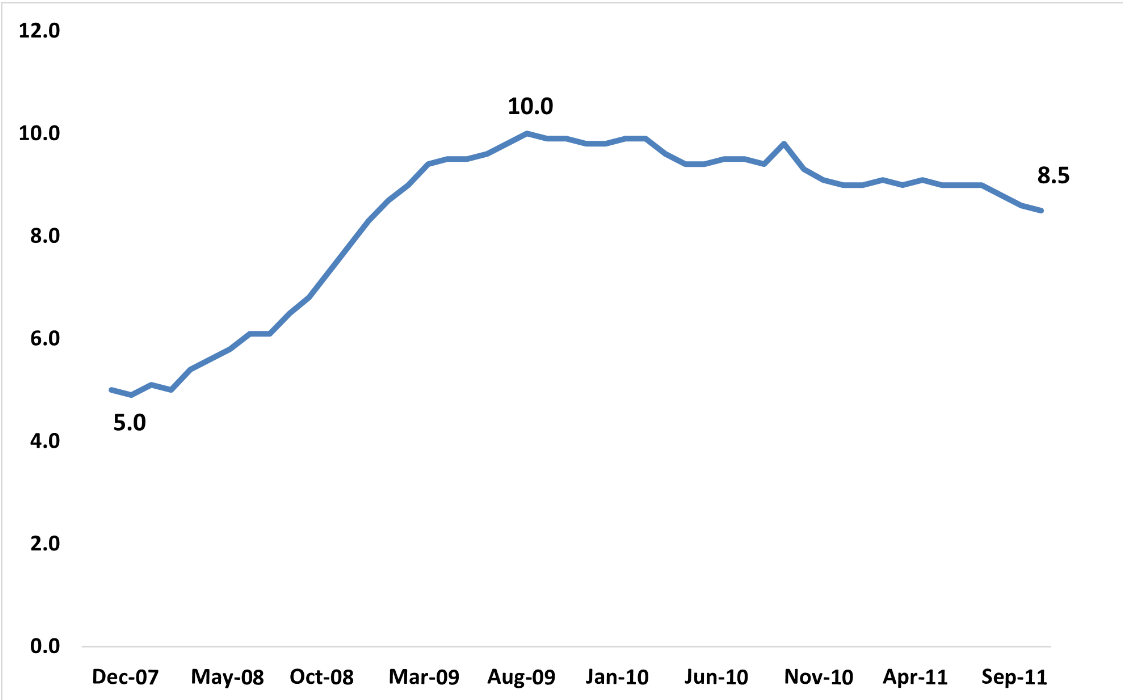


Figure 9: US Unemployment Rate



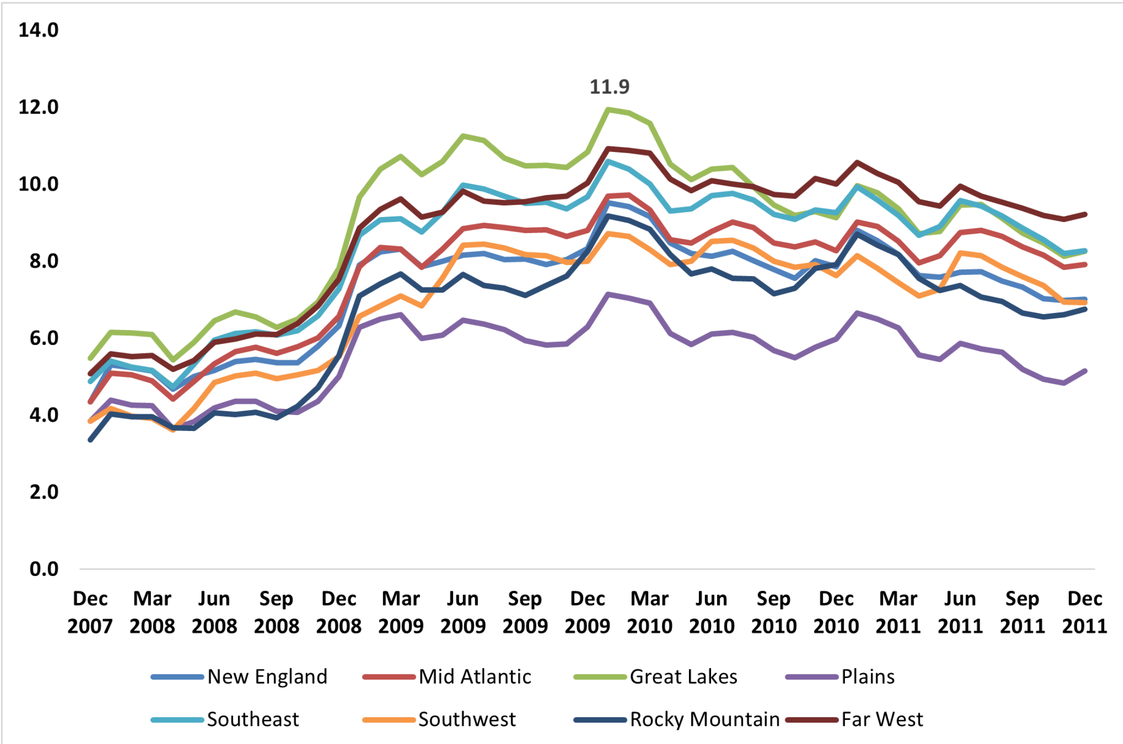
this recession so bad was that the contraction was deep, and the recovery was quite slow and weak.

Figure 10 shows the regional unemployment rates during the Great Recession. The Great Lakes region had the consistently highest unemployment rates during the contraction and recovery phases. The peak unemployment rate for the Great Lakes region was 11.9 percent in January 2010. Again the Plains region had the lowest unemployment rates during the recession. The peak unemployment rate for the Plains region was 7.1 percent in January 2010. The state with the highest unemployment rate during the recession was Michigan at 14.6 percent, and the state with the lowest rate was North Dakota at just 5.0 percent.

5. COVID-19 RECESSION 2020

The COVID-19 recession was a recession that didn't have to happen. Prior to the Lockdowns to prevent the spread of the virus, the U.S. economy had recorded its longest expansion on record of 128 months. The lockdowns ended that, and the U.S. economy slammed into a short but severe recession. Figure 11 presents the U.S. unemployment rate during the sharp contraction and the fairly quick recovery. The U.S. peak unemployment rate was 14.7 percent in April 2020, just one month after the lockdowns began. By February 2022, the U.S. rate fell to just 3.8 percent, roughly where it was at the beginning of the recession. The recession lasted only two months, and within two years, the economy had recovered to its pre-pandemic level. Compared to the unemployment pattern of the Great Recession, the COVID-19 recession was quite different. Two years after the Great Recession began, the U.S. unemployment rate was still 9.9 percent, and by December 2011, four years after the

Figure 10: Regional Unemployment Rate



recession began, the U.S. unemployment rate was still 8.5 percent.

Figure 12 presents the regional unemployment rates during the COVID-19 recession. The Far West region had the highest peak rate of 17.8 percent. The Plain region had the lowest peak unemployment rate of 9.6 percent. By January 2022, all eight BEA regions had reduced the unemployment rates to between 3.5 and 5.1 percent. Nevada had the highest peak unemployment rate at 27.5 percent, and North Dakota had the lowest peak unemployment rate of 8.5 percent. Table 4 summarizes the states with the highest peak unemployment rate for each recession and the state with the lowest peak unemployment rate for each recession. Only West Virginia pops up twice as having the highest peak unemployment rate out of the six recessions. On the lowest peak unemployment rate, three states, Nebraska, North Dakota, and South Dakota, pop up twice each. These three states are all located in the BEA Plains region, which consistently had the lowest peak unemployment rate during each of the six recessions.

Tables 5 and 6 look at the states that consistently had the lowest and highest average unemployment rates over the 1976 to 2001 period. Again, the three states of Nebraska, North Dakota, and South Dakota top the list of states with the lowest average unemployment rates.

West Virginia is at the top of the list of states with the highest average unemployment rates over the 1976 to 2021 period.

Figure 11: US Unemployment Rate

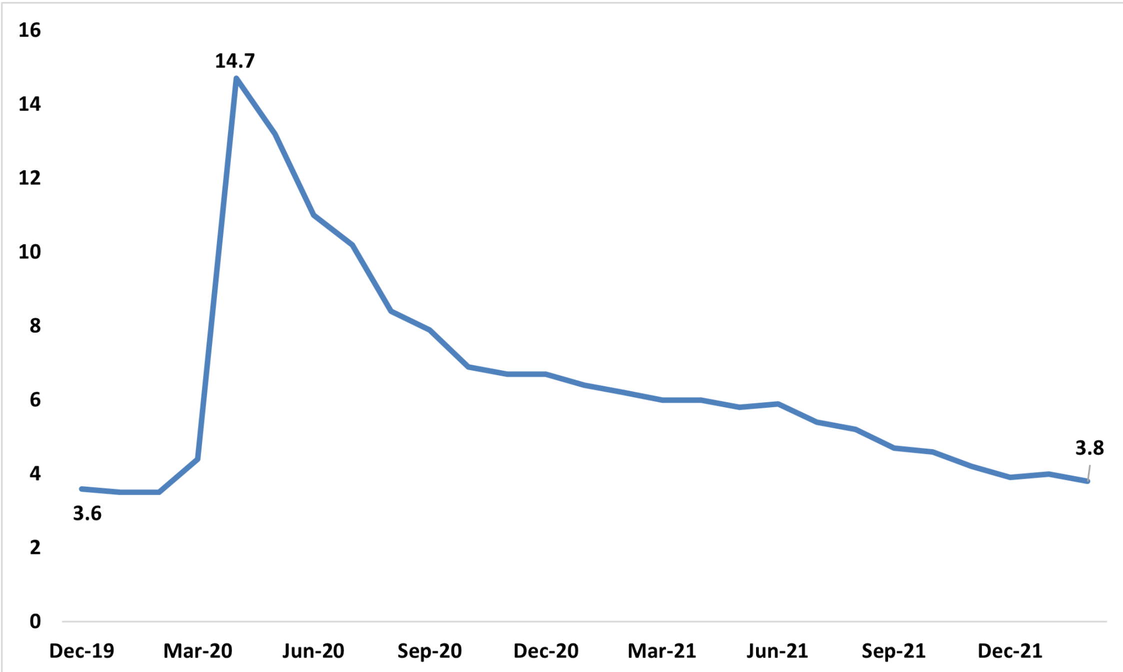


Figure 12: Regional Unemployment Rate

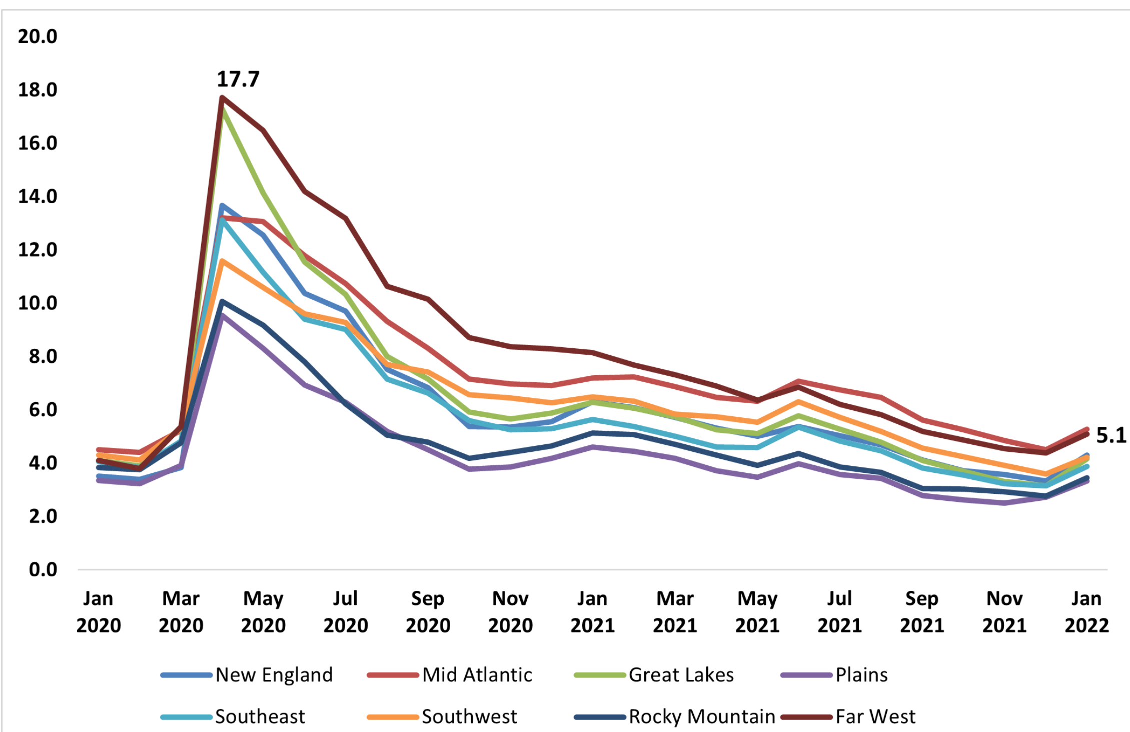


Table 4

Recession	Highest	Unemployment Rate	Lowest	Unemployment Rate
1974-1975	Massachusetts	11.9	Nebraska	4.4
1980-1982	West Virginia	20	South Dakota	6.9
1991	West Virginia	12.7	Nebraska	3.5
2001	Oregon	8.9	South Dakota	4.1
2007-2009	Michigan	14.6	North Dakota	5
2020	Nevada	27.5	North Dakota	8.1

Table 5: States with the Lowest Average Unemployment Rates 1976-2021

1976-2021 Rank	State	1976-2021	1976-2000	2001-2021
1	Nebraska	3.5	3.4	3.5
2	South Dakota	3.6	3.8	3.5
3	North Dakota	3.8	4.3	3.2
4	New Hampshire	4.3	4.3	4.2
5	Vermont	4.6	4.9	4.1
6	Iowa	4.6	4.8	4.2
7	Kansas	4.6	4.4	4.8
8	Virginia	4.7	4.8	4.6
9	Utah	4.7	5	4.3
10	Minnesota	4.8	4.9	4.8
11	Hawaii	4.8	5.1	4.5
12	Wyoming	4.9	5.2	4.5
13	Oklahoma	5	5.3	4.6
14	Maryland	5.3	5.3	5.2
15	Wisconsin	5.3	5.4	5.3

Table 6: States with the Highest Average Unemployment Rates 1976-2021

1976-2021 Rank	State	1976-2021	1976-2000	2001-2021
51	West Virginia	8.1	9.6	6.2
50	Michigan	7.8	8.2	7.3
49	Alaska	7.8	8.6	6.9
48	District of Columbia	7.6	7.7	7.4
47	Mississippi	7.4	7.8	7
46	California	7.3	7.3	7.3
45	Louisiana	7.1	8	6
44	Alabama	6.9	7.7	6
43	Oregon	6.9	7.1	6.7
42	Illinois	6.9	7	6.8
41	Washington	6.8	7.2	6.2
40	New Mexico	6.7	7.4	6
39	Nevada	6.7	6.2	7.4
38	Ohio	6.7	6.9	6.3
37	Kentucky	6.6	6.8	6.4

6. CONCLUSIONS

The key takeaway from this study is that exogenous energy shocks and oil prices matter as they contributed to four of the six recessions. In addition, Federal Reserve policy matters as in three of the six recessions, the Federal Reserve either directly caused or contributed to the decline.

On a regional level, the severity and duration of recession are determined by where you live. The Plains region was consistently the least impacted by downturns in the economy. The Rocky Mountain region was next in also being less cyclically sensitive to economic downturns. Finally, state and regional impact disparities exist and tend to remain constant over time.