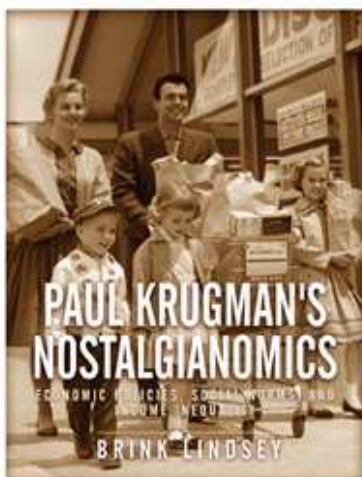


Krugman's economic nostalgia

Posted by Two Cents Editors
June 14, 2009 2:20 pm

Nostalgia for the 1950s started kicking in even before the next decade had drawn to a close: [Sha Na Na](#), you may recall, was one of the headline acts at Woodstock. But most of those who pine for those particular good old days—besides retro designers and fans of *Grease*—have tended to come from the conservative end of the spectrum, from those who see the 60s as the beginnings of America's end.

But recently, some on the left have begun making sympathetic noises about the age of pre-tubby Elvis. Economist and *New York Times* pundit Paul Krugman, in his book *The Conscience of a Liberal*, harks back to his boyhood in the 50s, when, he notes, our country was a lot more egalitarian than it is now, when blue-collar workers made solid middle-class wages and there were no hedge fund managers raking in billions a year. “Middle-class America didn't emerge by accident,” Krugman writes. “It was created by what has been called the Great Compression of incomes that took place during World War II, and sustained for a generation by social norms that favored equality, strong labor unions and progressive taxation.”



In [a provocative white paper](#) (recently [excerpted in Reason magazine](#), libertarian think-tanker Brink Lindsey takes on what he calls Krugman's “Nostalgianomics.”

Lindsey, a top researcher at the Cato Institute, concedes that the 50s were, in many respects, golden years for the middle class. But, he goes on to argue, the shared prosperity of those years rested on some exceptional circumstances, such as steep declines at the top end of the income spectrum caused by the Depression, rapid growth in demand for low-skilled labor, and a quick increase in the supply of skilled workers. (It also didn't hurt that in the early post-war period our biggest potential global competitors, Europe and Japan, had been devastated by the war.)

And Lindsey goes on to argue that the "social norms" of those years weren't all as warm and fuzzy as Krugman suggests. The economic consensus of those days, Lindsey says, was built on market cartels that limited competition to favor producers over consumers. "The restrictions on competition," he writes, "were buttressed by racial prejudice, sexual discrimination, and postwar conformism. . . ." These restrictive social norms were ultimately overthrown by the cultural revolutions of the 60s. "Doing your own thing" meant greater individualism, and, inevitably, this individualism led to greater inequality.

In other words, Lindsey suggests, you can't go back to these "golden years" without rolling back some pretty hard-won social gains.

[Blogger Matt Yglesias](#) argues that Lindsey's attack on Krugman seems "silly" at best. "I've read *Conscience of a Liberal*," he writes, "and it's not as if the book ends with a call for the return of comprehensive regulation of airline fares or the re-establishment of the AT&T monopoly."

That's true. And indeed, though Lindsey would hardly support it, you could reduce inequality in a big way (without bringing back a single regulation) by simply taxing the rich more. But Lindsey's bigger point stands: The 50s really aren't worth bringing back, even if we could. As Lindsey put it when I spoke with him for an upcoming [MONEY](#) piece: "Nostalgia's rarely a good guide to policy making."

—David Futrelle

Ah, the 50's. What a great time to be alive.

Polio, Small Pox, TB, home bomb shelters, standard transmission cars, no air conditioning, no product safety, college out of reach for many, and racial discrimination.

Yes sir, the 50's were great!

Posted By Robert K, Russellville, AR: June 15, 2009 11:44 am

Somewhere along the line our needs and wants changed very dramatically. I personally blame the TV show *Dynasty* which I view as the tipping point. Until that show aired, it seemed that people were content with their modest lifestyle. Once we got to know the Carringtons we all strived for McMansions, BMW's became the new Honda Accord, designer bags were not a luxury but a necessity. A zero percent saving rate ensued as we tried to live a lifestyle that was out of reach and unsustainable. The recent economic meltdown will probably change many people's perceptions of money and spending for a very long time. Damn you Kristal and Blake.

Posted By Mark in NY, NY: June 15, 2009 11:12 am

So Jeff...you read the book?

Posted By Ryan, MD: June 15, 2009 10:49 am

I'm with Jeff in Cincinnatti and John P on this. I'm a black woman with a PhD, a professional job, and control over my own (considerable) income.

You know what I would be doing in the 1950s? Likely cleaning someone's house or some other mind-numbing, extremely low paying job. Not only would that be hell for me personally, it would also mean that the U.S.

wouldn't have the benefit of my hard work and expertise.

Any of you (obviously white, male) Boomers pining away for the 1950s are welcome to it. Personally, I thank my lucky stars I was born in the 1970s.

Posted By Marie T. Albany, NY: June 15, 2009 10:19 am

The fact that many companies are seeking "creative" ways to force out older workers so that they can be replaced by younger, cheaper workers is proof that we are living in an age of wage declines and income disparity. There's only one place those "savings" goes – into the pockets of wealthy shareholders...

Posted By Tom, Portland ME: June 15, 2009 10:03 am

Proverbs 22:7 – “. . . the borrower is servant to the lender”.

There is a worst scenario than the middle class living standards going down.

China is feeling comfortable to send “messages” to USA Gov..

Why?

USA Gov. spend more than earn on taxes.

That means that Americans pay less taxes they should.

This ultimately will burst economy in a first moment but USA Gov. needs keeping borrowing money to keep the “machine” running.

It's clear that this has no good ending and the ancient economy knowledge (as the above) still works.

Till this crisis the problem was controlled because USA was able to convince the world that they can trust in USA treasury bonds – “it's safe”.

China comments and the recent difficulty to sell the new bonds is showing that we reaching the critical point where the world will not trust in our bonds and we have no lender to keep borrowing from.

By that time, the problem will not be the living standards or foreclosures, the problem will be no food on supermarket.

By the way: Have you seen how Walmart reduced the variety of goods offered?

Posted By Ricardo, Columbus, IN: June 15, 2009 8:48 am

Such a bad era: 1 wage earner working a single 5 day job could provide for: a family, food, clothing, a house, a car and vacations to the shore. Yes, women now have more opportunities today, but at what price to society: two incomes that do not feed, cloth, house or transport a family, let alone provide a vacation. We had it all and then blew it. We have been in decline ever since. Ever wonder how Asian immigrants keep their families together and how successful they are. America needs to wise up and reverse this downward death spiral we are in.

Posted By Phil, Philadelphia, PA.: June 15, 2009 7:57 am

Whatever you do – don't go The Swedish way, i.e. extreme progressive taxation.

Part of the reason to Swedish taxation is envy: What I don't have, you shouldn't have... That's fair (in a socialistic paradise). But we do have pretty blondes, so life is survivable.

Posted By Dr T, Stockholm, Sweden: June 15, 2009 4:37 am

As many have noted, the former “American Dream” has become the “American Nightmare” for most of us. In the absence of health care, decent jobs, and meaningful opportunities for most Americans, and in the alternate presence of high inflation, crushing debts, declining wages, terrible schools, and a bad, corrupt government, it is no wonder our nation has become filled with fear, despair, and misery. I pray that we may somehow be healed from these ever-worsening afflictions.

Posted By Thomas, Sacramento, CA: June 15, 2009 3:04 am

What set the 1950's apart is that they followed two of the most trying decades in US history (Great Depression and WWII). This anchoring effect makes the era seem much more prosperous than it was objectively. The 1990's were great, too, we just did not notice it because the 1980's were not that bad.

Posted By Mike, Needham, MA: June 15, 2009 2:50 am

Yes, some "social norms" prevailed, but individual ones, as e.g. no light-hearted divorce, no one-parent families.

Posted By Beat Kappeler, Hinterkappelen, Switzerland: June 15, 2009 2:38 am

The 1950's were good and bad in many respects. We aren't going back and in fact if you are a student of history it will tell you that things go from one extreme to another. And guess which way we are headed. That's right. And its going to keep moving away from the 1950's atmosphere for a very long time.

Posted By Los Angeles, Ca: June 15, 2009 12:38 am

When you can't argue facts, call names. It worked in kindergarten, and sometimes it works in baseball. An economics Nobel Prize? Feh!

Posted By Ben – Elkins Park, PA: June 15, 2009 12:31 am

After WWII, for better or worse (and I think worse) our policy makers decided that the U.S. could no longer sit back and ignore social and economic conflicts within other countries, even if the duly constituted government was "popular" (as Hitler once was in Germany).

We then had to become deeply involved in the politics and economics of virtually every other country on earth, to the benefit of our elite and most educated few, but to the detriment of our many.

This meant that we became "internationalists", and our "elites" were, and have continued to be, very good at that work. Of course, our working class has lost out, in the exchange of elite students between countries, immigration and trade, etc., etc. This has also made us more vulnerable to "911s".

At this point all this is probably irreversible, and our working class had best get used to relative poverty, and lack of influence.

Posted By Hanrod, Orange, CA: June 15, 2009 12:13 am

sorry "whining", not "winning"

Posted By John Chicago, IL: June 14, 2009 11:32 pm

Just a quick point- no one- even the "rich" would trade their current lifestyle for the '50s. We are all way ahead of where we were- just the winning has increased.

50's middle class- one car, 1200 sq ft of housing, b&w TV, a kid got a bike, maybe for Christmas. Maybe one dinner out a week at a "nice" place- like Luby's Cafeteria.

If you're unhappy- look in the mirror. You're the one who pissed it away.

Posted By John Chicago, IL: June 14, 2009 11:19 pm

The 1950's were the middle of a period of economic expansion where industrial capacity utilization and other measures of economic health were higher than any other time in the past 100 years. Why were they so? Opinions vary, but one thing that didn't yet exist was about 3/4 of the current Federal Register, the accumulated detritus of decades of governmental "hope & change." We increasingly live in the same bureaucratic regimentation of

Western European countries.

Anyone who thinks we can “tax the rich” to prosperity, expropriate secured bondholders by political fiat (the recent Chrysler deal) and regulate our way to nirvana (and Paul Krugman clearly believes so) is living in Fantasy Land no matter how well educated he or she may be.

Posted By David, Loves Park IL: June 14, 2009 11:15 pm

As mentioned in other comments, it was the war (and overall economy) rebuilding efforts that caused the rise in living standards. Unions were a result and not a cause of the good times, as Krugman and others falsely claim. Union demands are easy to meet when times are good, but when the economy or business slows unions add an extra cost to an economy through a drain on capital by bringing inflexibility to market pricing for both labor and products. As their wage demands become higher than what the market (both labour and product markets) would dictate, not only are individual companies unable to compete, they no longer have an incentive to increase production, including payrolls.

Posted By Roger M., California: June 14, 2009 11:11 pm

Its about time that someone wrote honestly about what America has become: threadbare at the seams.

Oh, what we lost.

Posted By John – Fairfax, VA: June 14, 2009 11:08 pm

The 50's were the 50's because God keep USA out of war.

Pearl Harbor destruction was kid's play(with all respect to those that died there) if compared with what happened with Europe and Japan.

I'm not saying that the USA has no merit, it's the opposit: With no competition and world's nations hungry for help and goods, USA were able to take all the economic advantage that this lack of competition bring.

USA merit in this resides on to have managed this opportunity on a such way that no penny is left on table.

Including in this, the merit to “get” all the brilliant “heads” of that time as Einstein, for example.

It was not wrong, just opportunity.

I'm not saying that America is not a hard workers country, but there is a difference between economic downturn caused by the own country bad economic practices leading to mass layoffs and mass destruction of the country's major facilities and systems.

Now things are different: The USA enemy is the Americans extreme individualism, envy, etc that , as an example, raised the CEO's earnings to 400 times the common working earnings (how much was that in the 50's ?) but the CEO is soo proud of his “staus quo” that this guy goes to the House bag for millions of dollars in help (because his lack of managing actions) and even have the concern to present a recovery plan worth of that money.

WWII proved to the world that bonbs can destroy facilities of a country but can not destroy the people itself.

But nothing can be done with a person (or a country) that wants to destroy itself.

Posted By Ricardo, Columbus, IN: June 14, 2009 11:02 pm

Many Boomers now lament that the 50's were our Golden Age!?! Well, maybe if so many of those jobs weren't taken away from the Greatest Generation and sent overseas to lands of cheap labor, where justice is often window-dressing, then maybe we wouldn't be having this debate! What a steaming pile of crap!

Posted By Mike in Fort Lauderdale: June 14, 2009 10:55 pm

very well said rick k. we once threw tea off the harbor but the red coats remained and until we throw them off america will continue the path of destruction.. because thats what they want.

Posted By mark blumanthal alliance ne.v: June 14, 2009 10:33 pm

In the spirit of Baron Munchausen, I ask Jeff from Cincinnati: “Vas you der, Jeff?”

I was, and they were truly golden years. Then Kennedy and Johnson turned it all to yuck. What were people thinking?

The 1960s were the beginning of the end.

Posted By Erik Kengard, Falls Church, VA: June 14, 2009 9:28 pm

The middle and late 1950s were also exceptional in America because of the large proportion of the educated segment of the world labor market that was American.

During most economic expansions, the economic payoff for increasing education is positive. This was the case in the 1950s [and still is, we hope].

Further, in the 1950s, the United States [and to a lesser extent, Canada, Australia and New Zealand] had policies which rapidly increased the proportion of workers with a college education while many potential competitors [Europe and Japan] were focused on recovering from the capital devastation of the war.

By 1960, America had a commanding lead in the proportion of college educated workers, as well as the capital to leverage their efforts — a lead that we retained until the 2000s.

Thus, American export industries had the best management and best engineering — which lead them to commanding world positions and supported Americans in a relatively posh life style.

This lead in export value added supported the labor movement of the time and made middle class wages for unionized punch press operators with 3rd grade educations possible, in America [such workers did not get similar wages in other countries].

Now that America no longer has this commanding lead in the highly educated segment of the labor force [Korea, despite its smaller population, actually graduates more engineers in a year than America and has done so for over a decade now], we can not use the extra value this segment adds to prop up the wages of the poorly educated and unskilled. The result is that the middle and worker classes in America are falling behind the highly educated in incomes. Even BA degree college educations are no longer a field that America dominates — and thus wages in such jobs are constant or even falling while the wages of the very highly educated continue to rise.

Krugman, as seems all too common with his work lately, gives a superficial treatment which lacks substance. He needs to dig deeper and apply those brain cells that he was endowed with [or stop writing].

Posted By Spock_rhp, Miami, FL: June 14, 2009 8:57 pm

Simple economics explains the current distribution of wealth (and the diminished “middle class”) without any reference to changing values. In the 50s, we were the world’s economic engine providing all things necessary to rebuild the world’s economies. Higher wages for relatively unskilled workers were sustainable because there was no international competition.

Today, everyone competes with the world. If someone in India will do your job for less, production will go there. If we try to pull back to the 50s, we can only do so by taking ourselves out of the world markets and then we will all be worse off. Also, if you try to over redistribute wealth, business and capital will simply relocate elsewhere. These facts are indisputable (look at current experience in Europe).

Posted By Atlanta, Georgia: June 14, 2009 7:57 pm

Just as Jeff says:

“They were only the “golden years” if you were white, male, and straight. Krugman’s book is as bad as wishing for the 1840s.”

Posted By Jeff, Cincinnati, OH: June 14, 2009 4:09 pm

I totally agree, and would add that this nostalgia for the “good old days” of America are, in part, what cost the Republican party the presidential election. The demographic that supports the white power agenda is no longer large enough to carry the day on a national scale. Unless they change, they are going to be marginalized into a regional party.

By the way, I am a straight, white, American born male, with a high school education (+ 2 years college), born in 1951. And I voted for Obama.

Posted By John P, Chicago IL: June 14, 2009 7:46 pm

Life was simple and a man could work and on a weeks wage raise a family! What did we do? The greatest generation gave the country a great way of life, and it was given away out of greed....

Posted By Jim, Edgewater Florida: June 14, 2009 7:11 pm

Any idea taken to its logical extreme is insane — and that includes “do your own thing”.

What started out as a healthy reaction to the stifling social conformity of the 50’s has become the current (and equally stifling, in terms of the national health) spectacle of a couple of hundred million Americans elevating their own petty personal agendas to the status of inviolable god-heads at the expense of American society as a whole.

It is by no means certain (and certainly not provable) that the psychological “do your own thing” impulse is the same as that which led to the more inclusive social reforms of the 60’s; to suggest otherwise is to drastically oversimplify an era that was a maelstrom of confusion, competing motivations, divided and often self-contradictory loyalties and initiatives, and simple fear-fueled (nuclear weapons, political assassinations. etc.) escapes into sheer escapist behavior.

So-called “societal norms” swing back and forth in this country like a pendulum — and that is a good thing. Excessive post-WWII social regimentation was a victim of its own internal weaknesses, and was radically modified in favor of a looser structure which has after a half-century revealed its own weaknesses: Now the social regimentation consists of an entire nation being forced to play a game of cut-throat “do your own thing” that has brought us to the stark edge of absolute ruin.

And a reaction is both healthy and inevitable — unless continuation of the current system is ever more effectively insisted on by the present power-structure; which is exactly what folks are beginning to sense that the Obama era (under the nominal cloak of “reform”) is really all about: The present economic dislocation, instead of being allowed to perform its necessary cleansing and “leveling” functions, is being perverted into an instrument to assure the continued supremacy of the corrupt, inbred few at the top of the heap at the expense of the country at large.

The “individualism” Lindsay champions is at present nothing more than legislated gross exploitation; the “social gains” he fears the loss of are those made by the privileged social class for which he works — the rest of us will not suffer if certain common-sense restraints are reimposed on the “rights” of any individual to trample another in search of the Almighty Buck.

That part of the Social Revolution of the 60’s that is worth keeping most emphatically was NOT fought to bring about the excesses and abuses now rampant in this nation — which are the dark side of “Do Your Own Thing”, and which must be rolled back if we are ever to regain any form at all of national sanity.

Posted By Rick Lapin, Albuquerque, New Mexico: June 14, 2009 5:37 pm

The 50’s were the greatest when America the envy of the world, most powerful, and highly respected. My father had a 3rd grade education, was punch press operator, and we lived a decent middle class life in which he supported a family of four. Now we have Paradise Lost for a myriad of reasons.


Posted By Rich – Orland Park IL: June 14, 2009 4:15 pm

They were only the “golden years” if you were white, male, and straight. Krugman’s book is as bad as wishing for the 1840s.

Posted By Jeff, Cincinnati, OH: June 14, 2009 4:09 pm

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