

Department of Economics (Honors) – Writing Sample

Note: Due to limitations of time, the citations in this paper are uneven and incomplete.

Additional sources of interest were also excluded but are on hand for further research.

A Post-Keynesian Approach to Emerald City

I. Introduction

Marc Lavoie, in his textbook “Introduction to Post-Keynesian Economics,” mentions an idea that seems to be common in economics literature: TINA (Lavoie, 2014). TINA, which stands for There-Is-No-Alternative, represents the viewpoint of the majority of contemporary economists who believe dogmatically in supply-led growth in the long run and demand-led growth in the short run. These economists are quick to refute minimum wages yet unhurried to explain the long-lasting impact of the 2008 financial recession. Lavoie’s textbook, however, prescribes an antidote for this belief: post-Keynesian economics. The main principle of post-Keynesian economics is that the production of goods adjusts itself to the demand for goods (Lavoie, 2014). In other words, the economy is demand-led both in the short run and the long run. The significance of this heterodox theory of economics is the profound impact it would have on government policy. Demand-led growth would encourage governments to invest more in the people, to increase autonomous demand, without having to compromise the health of the economy. However, this approach to economics is seldom credited within academia.

The goal of this paper is to demonstrate how the economic history of Seattle from the late 1960s throughout the 1970s may serve as empirical evidence of demand-led growth in the long run. I plan to do this by analyzing the economic history of Boeing, federal aid to Seattle, and immigration in Seattle during that time. In short, I conclude that due to these three economic

histories, there is strong indication of demand-led growth from the late 1960s throughout the 1970s in Seattle, which may be substantiated by a formal empirical study of economic variables during the time.

II. Economic History of Boeing

The economic history of Seattle started as a lumber town, though by the 1910s it began to gain traction as a growing manufacturing industry (Sale, 2019). From World War 1 to World War 2, due to Seattle's location on the port giving it an advantage in international trade, Boeing began to dominate the aircraft industry, representing over 36% of the world's passenger airplanes by 1965 (Hedden, Unpublished). From this growth, Boeing had created tens of thousands of jobs in Seattle, creating 50,000 jobs just between 1966 and 1968 (Hedden, Unpublished). However, after overestimating production capacities and demand for their 747 "Jumbo Jet" in 1970, Boeing entered an extreme economic slump and was required to eliminate nearly 60% of its regional workforce, leading to record unemployment figures in Seattle (Hedden, Unpublished). The response to this event was multi-faceted. For one, financial assistance from the government increased by over 300% through a variety of platforms, totaling nearly \$500 million in two years. Further, foreign relief and purchases were agreed upon by countries such as Germany, Japan, China, Lebanon, Pakistan, and more, to keep Boeing from collapsing in the United States. Not only did these responses expedite the recovery of Boeing, but it contributed to the net addition of new jobs by just 1972. Since consumption was not diminished significantly during this recession, Seattle continued to grow through the period and transitioned into an entirely new economy after the event. As close as Boeing was to its death, autonomous demand from government agencies and other actors revitalized the city and made it significantly better off than it was before.

III. Economic History of Other Federal Aid

It is important to note, however, that not all foreign aid at the time went directly to Boeing. As Gerald Nash writes about in his paper, “The Federal Landscape,” the government played a large role in shaping the structure of the West’s economy, society, and business modernization throughout the 20th century (Nash, 1999). During this time of crisis, the federal government channeled over \$250 million in funding for public projects (highways, federal facilities, etc.), \$100 million in private sector contracts, and millions more in economic development projects throughout Seattle (Hedden, Unpublished). According to The Oregonian, over \$1 billion was funneled to Washington from the government at this time, “one of the biggest federal feedouts in history to one area,” (Hedden, Unpublished).

IV. Economic History of Immigration

Simultaneously, due to its increasingly attractive economic growth, Seattle saw an increase in immigration during this period, gaining nearly 500,000 residents (Hedden, Unpublished). Though classical economists may argue that an influx of immigration is harmful for existing workers, Eaton (1998) uses effective demand to describe evidence for the opposite. Eaton (1998) finds that, in small and medium-sized cities, immigrants, instead of “taking old jobs,” fill niche positions that do not exist in their absence. Due to higher demand for cultural goods and services in the city, immigrants contribute to the production of ethnic cuisine, foreign language instruction, childcare, craft services, and more (Eaton, 1998). This goes to show that, with the increase of federal aid to Boeing and consumers throughout Seattle, immigration acted as yet another avenue for effective demand to contribute to the compounding economic growth of Seattle from 1970 onwards.

V. Conclusion

Given the economic histories of Boeing, federal aid, and immigration in Seattle from the late 1960s through the 1970s, it is evident that the federal government and other exogenous actors played a large role in stimulating demand to keep Seattle alive during one of its weakest moments. This increase in autonomous demand not only led to a quick recovery of Seattle's economy in the short run, but also propelled the growth and development of various industries within it in the long run. The importance of this research lies in the fact that it may be in the interest of struggling cities today to utilize effective demand in order to guide long term growth.

VI. Further Studies

Though this research is a great historical account, empirical evidence for economic theory should be supported quantitatively. Further research could be done by incorporating Steven Fazzari and Alejandro Gonzalez' model described in their paper, "Demand-led Growth and Accommodating Supply," with data of Seattle's employment, output, immigration, consumption, and more from the late 1960s through the 1970s (Fazzari, 2020).

Bibliography

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