

The Economic Ascent of the Hotel Business

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Second Edition

Paul Slattery

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Design and setting by P.K. McBride

8 The US Economic Structure and the Hotel Business: 1960–1980

Introduction

The 1960s started with the idealism of President Kennedy (JFK) about the role of the US as the global champion of freedom, which translated into initiatives to limit the spread of communism. This in turn was manifest in the arms race, the space race and the Vietnam War, which in economic terms boosted the otherwise slowing industrial segment of the economy. The 1960s were also characterised by the Great Society reforms of President Johnson (LBJ) in response to the injustices highlighted by the Civil Rights Movement, which boosted the public services segment of the economy. Despite these emblematic developments of the 1960s, service businesses continued to grow in size and diversity as both corporates and consumers demanded more.

Economically, the 1970s were different for the US, marked as they were by poor economic performance in 1970, 1974 and 1975. The international oil crisis hit the US hard. In 1970 it imported around one third of its oil at about \$1.50 per barrel, by 1977 it was importing half of its oil at \$32 a barrel (Evans, 1998:604) The international oil crisis contributed to the economic downturns and recession, but so also did the hangover from the cost of the Vietnam War, the space race, the arms race and the extension of public services required by the civil rights legislation. Incomes fell as the economy tightened. Unemployment rose, interest rates hit 20% and inflation moved sharply upwards. The 1970s were also different politically. The disgrace of Watergate, President Nixon's enforced resignation and the US failure in the Vietnam War set a gloomy political tone to sit beside the poor economic performance. Then there was the introspection of the Ford and Carter presidencies as they sought to recover some confidence and dignity in the US. In spite of these setbacks the structural development of the US economy continued over the 1970s. Notably, the two-decade period marked the entry of the baby boomers to adulthood and their establishment as an independent market. The civil rights legislation empowered black Americans to be participants in economic prosperity and other movements such as Women's Liberation and Gay Liberation created more independent markets for service and experience businesses.

The progress in the structure of the economy over the 1960s grew domestic demand into US hotels. Although the economic performance of the 1970s was poorer than in the 1960s, public services, service businesses and experience businesses continued to expand and hotel demand benefited from secular growth from the baby boomers, black Americans, women and gays. The demand growth encourage hotel supply growth and in particular the pace of expansion of hotel chains accelerated, adding 740,000 rooms over the period. Thus, the period from 1960 to 1980 saw further economic ascent of the US hotel business.

US economic structure and hotel demand

At the start of the period, the US was achieving strong momentum in three of the four factors that produce the necessary conditions for service and experience businesses to grow. The social sciences in the US were more developed than in any other country. During the period, more social scientific research was undertaken than elsewhere and most universities offered courses in pure and applied social sciences. The personal capital markets were also well developed. A higher proportion of US households than any other country owned their own homes. The US personal credit markets, with greater diversity and greater volume, were also more developed than elsewhere. Similarly, personal travel was more developed than elsewhere. There was more car ownership. The nationwide inter-state highway building programme continued throughout the 1960s and 1970s, while the airline business was expanding fast.

Civil rights

The one factor that held back the rate of structural development of the US economy was the poor state of civil and human rights. In the early 1960s, after a century of freedom from slavery, black Americans in the US numbered 19 million and accounted for 10.5% of the population (US Census Bureau). However, they were still an underclass, denied rights that were commonplace among white Americans, particularly in the southern states. In the south, 10 million black Americans accounted for 21% of the population and endured the greatest explicit racism (US Census Bureau). Evans notes that on average:

Investment in white school plant was four times higher, white teachers' salaries 30% higher... Segregating states spent \$86 million on white colleges, five million on black ones. There was one accredited medical school for blacks, 29 for whites; one accredited black school for pharmacology, 40 for whites; one law school for blacks, 40 for whites. There was no engineering school for blacks, 36 for whites.

(Evans, 1998: 459)

Discrimination also prevailed in other public services such as health, welfare and housing. Blacks accounted for much of the unemployment and the highest proportion of prison inmates. It was common for blacks not to vote and physical abuse was common when they did try. During the 100-year period from the abolition

of slavery, racial segregation in social, cultural, political and economic life in the South was regarded by white supremacists as a natural state of affairs and the most extremist among them used clandestine associations such as the Klu Klux Klan to maintain and reinforce the racist and economic status quo irrespective of the illegality of the activities in which they engaged.

The economy of the South performed much worse than the economy of the North. It had consistently higher levels of unemployment, lower earnings, lower spending and lower growth rates. It was also structurally less developed, relying more heavily on agriculture and basic manufacturing than the North and it had fewer and less diverse service and experience businesses. The civil rights gap between blacks and whites meant that blacks were excluded as a market for most goods and services available in the US. Their higher levels of poverty, poorer education, lower job security and lower career development were accompanied by extremely low levels of ownership of appreciating assets and extremely low access to credit. Primitive human and civil rights were the main impediments to the performance and the structural development of the economy of the southern states and this maintained a poverty gap not only between the blacks and whites of the South, but also between the segregated South and the less segregated and more structurally developed economy of the North. However, the groundswell of opposition to racial segregation among blacks and increasing numbers of more liberal northern whites gained momentum during the late 1950s and the early 1960s when the Civil Rights Movement became a national force as did its figurehead the Reverend Dr. Martin Luther King. The approach of the movement was the non-violent, public display of the injustice and moral degradation of racial segregation.

From the mid-1960s civil and human rights legislation, The Great Society reforms introduced by LBJ, changed the lives of Americans and provided a tangible and lasting boost to the economy. Improving public services, job security and career development enabled black Americans to participate in economic growth and as a result the performance and structure gap between the North and the South began to narrow. Among the Great Society legislation introduced by LBJ to improve public services, three of the most significant were:

- ◆ The Civil Rights Act, 1964, which banned racial discrimination including discrimination in ‘public accommodations’ such as hotels.
- ◆ The Voting Rights Act, 1965, which outlawed literacy tests as a qualification for registering to vote. The tests were used throughout much of the South to disqualify blacks from registering and their abolition enabled black Americans to have a greater influence on elections in the South.
- ◆ The Fair Housing Act, 1968, which outlawed discrimination on race, colour, religion or national origin in the rental or purchase of homes.

Once black Americans had won equitable civil rights and gained jobs, they became a market for consumer goods. The moral power of the civil rights movement translated into economic progress and was accompanied during the period by other mass movements that changed the civil and human rights landscape in the US. The Peace Movement was the groundswell that was influential in driving the Nixon administration to withdraw from Vietnam. The Women’s Liberation Movement