

Depression - Oct 1929 Stock market

- Demand ↓ - function. of wealth / income ↓  
(goods + services)

↳ labor "derived" demand - from output of labor

$L_D \downarrow \rightarrow$  household income ↓  $\rightarrow$  Demand ↓

interest rates ↓  $\rightarrow$  Invest ↑

prices ↓  $\rightarrow$  Demand ↑

$$GNP = C + I + G + (X - M)$$

	GNP	C	I	U.
1929	104.4	79.0	16.2	3.2
1930	95.1	74.7	10.5	8.7
1931	89.5	72.2	6.8	15.7
1932	76.4	66.0	0.8	23.6
1933	74.6	64.6	0.3	24.9
1934	80.8	68.0	1.8	21.7

Cons  
Invest  
Govt spending  
X - exports  
M - imports

C 65% - 70%  
of GNP

~~"Demand"~~  
"Job creators"  
Demand is it

$$Money = M1 + M2$$

cash ↓ Deposits ↓  
M - 72 B. 1929 → 54 B 1934 → Deflation

1932 - Roosevelt elected

1933 - "New Deal"

- Why recovery slow?

- govt spending ↑ but small amount  
deficits - E. Cary Brown

Fed ↑

state ↓ Local ↓

- 1937 Budget balanced

1937-38 9 months - steepest  
decline in US output ever

1935-39 Av = 100

1936 103

1939 108 ←

1937 113

1940 123

1938 88

1941 156

New Deal

PRA - Pres. Re-employ agreement  
 - condition for gov contracts  
 2.3 employers signed-on  
 16. million employees

USDA - SCS Soil Conservation Service  
 ↳ fallow programs - marginal  
 ↳ price supports

NRA National Recovery Act } Wagner Act  
 - work hours }  
 - min. wages } leisure is "normal" good

WPA - evolves PWA

↳ Works Progress Admin. } Public works  
 ↳ buildings  
 ↳ Artists -

CCC - civilian conservation corp.

Ag policies → price supports - acreage restriction  
 - min acreage req. - much larger  
 than small farms in Appal.

Ind. policies FLSA - min wages - hits Appal  
 negatively  
Wagner price supports  
NIRA Coal. ↓

- Where did money go?

Reading

↓ Roosevelt <u>lock</u>	[	NC 48	NV 1	] ?
		TN 29	MT 2	
		KY 44	CA 10	]
		VA 43	IA 15	
		WV 41	OR 12	
			WA 13	

[ Reading  
Wright.

Political economy  
- votes needed  
Southern States

Democrat

Lincoln Republican.









