

Great Depression

1929 - 1933 - real output ↓ 29%

By 1937 - up to 1927 levels

1936 - election "deficit hawks"

- spending under New Deal
last Q 1937 - 2Q 1938 (9 months)
steepest ↓ in industrial output
in history

WWII Sept 1939

US enters Dec 1941 -

US supplying - materials to war

unemployment 1929 3.2%
 1933 21%

asset value S+P index 75% ↓

- wealth effect ↓ → consumption ↓
 ↳ Demand ↓
 output ↓
 employment ↓

1920s - rapid growth -

1922-29 GNP average growth 4.9%

Debt ↑ - Farming -

WWI - growth in farm incomes &
 land values

Household

Debt ↑

Borrow for equipment

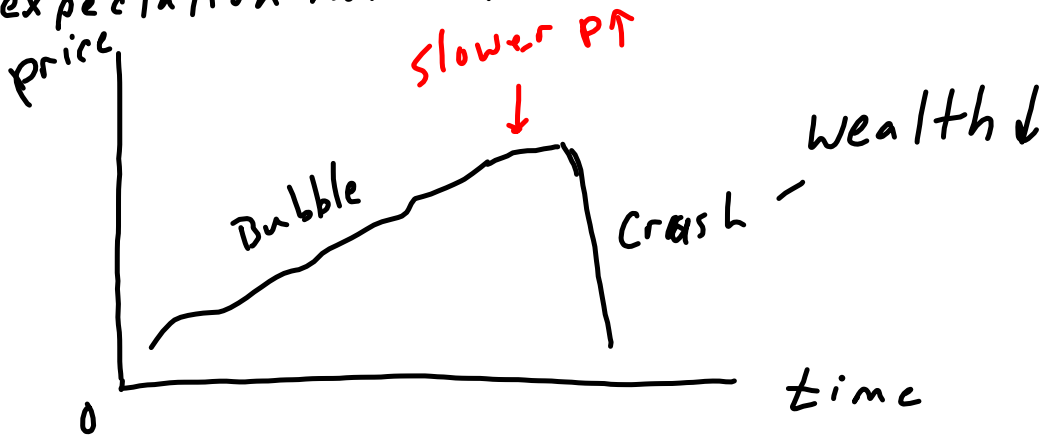
stock market \rightarrow buy "on margin" (10%)

debt -

DJIA \uparrow 100% 1928-1929. *

Asset market \rightarrow bubble & crash.

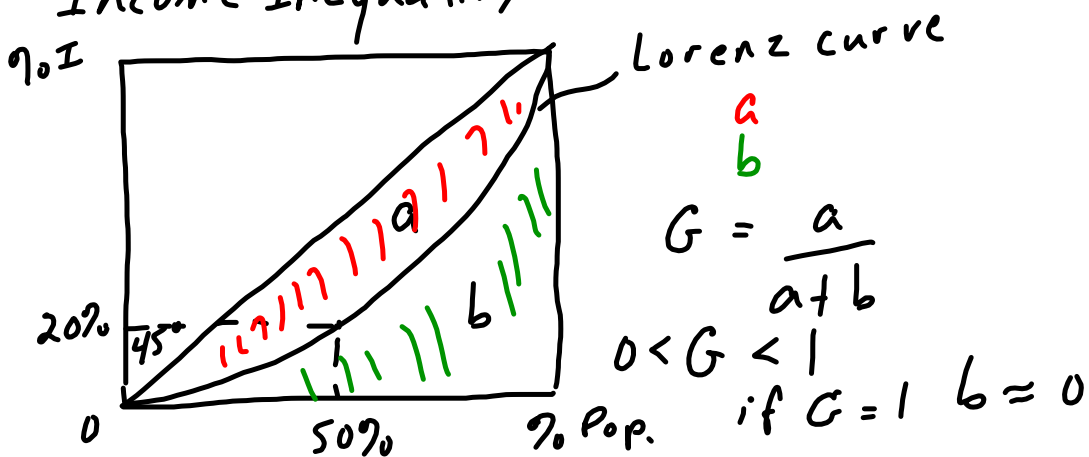
purchase to resell \rightarrow expectation price \uparrow
 - expectation not met \rightarrow sell



- regulations \rightarrow ban margin sales

1926 - 63% of Investment in
 construction
 1922-29 - > 50% of investment in
 construction

Income Inequality ↑



$G = 0.47$ today

Appalachia - not invested in Stock Market

D ↓ → resource D ↓ coal + minerals
timber
ag products

1929 market ↓

Drought - Dust Bowl -

- nationwide -
ag ↓ - incomes of farmers ↓

loans equipment -

forfeit lands -
migrations to west

Figures $GNP = C + I + G + (X - M)$ 1929#

	GNP	C	I	Unemploy
1929	104.4	79	16.2	3.2
1930	95.1	74.7	10.5	8.7
1931	89.5	72.2	6.8	15.9
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

Bank failures 1930 - March 1933

9000 banks suspended ops.

Fed

