

TIMELINES OF THE GREAT DEPRESSION:

This page features two timelines: the first for general events of the Roaring 20s and the Great Depression, the second for leading economic indicators.

The importance of these timelines cannot be emphasized enough. Seeing the order in which events actually occurred dispels many myths about the Great Depression. One of the greatest of these myths is that government intervention was responsible for its onset. Truly massive intervention began only under the presidency of Franklin Roosevelt in 1933, who was sworn in after the worst had already hit. Although his New Deal did not cure it, all the leading economic indicators improved on his watch.

But don't take my word for it -- here is the raw data:

TIMELINE OF GENERAL EVENTS

1920s (Decade)

- During World War I, federal spending grows three times larger than tax collections. When the government cuts back spending to balance the budget in 1920, a severe recession results. However, the war economy invested heavily in the manufacturing sector, and the next decade will see an explosion of productivity... although only for certain sectors of the economy.
- An average of 600 banks fail each year.
- Agricultural, energy and coal mining sectors are continually depressed. Textiles, shoes, shipbuilding and railroads continually decline.
- The value of farmland falls 30 to 40 percent between 1920 and 1929.
- Organized labor declines throughout the decade. The United Mine Workers Union will see its membership fall from 500,000 in 1920 to 75,000 in 1928. The American Federation of Labor would fall from 5.1 million in 1920 to 3.4 million in 1929.
- "Technological unemployment" enters the nation's vocabulary; as many as 200,000 workers a year are replaced by automatic or semi-automatic machinery.
- Over the decade, about 1,200 mergers will swallow up more than 6,000 previously independent companies; by 1929, only 200 corporations will control over half of all American industry.
- By the end of the decade, the bottom 80 percent of all income-earners will be removed from the tax rolls completely. Taxes on the rich will fall throughout the decade.
- By 1929, the richest 1 percent will own 40 percent of the nation's wealth. The bottom 93 percent will have experienced a 4 percent drop in real disposable per-capita income between 1923 and 1929.
- The middle class comprises only 15 to 20 percent of all Americans.
- Individual worker productivity rises an astonishing 43 percent from 1919 to 1929. But the rewards are being funneled to the top: the number of people reporting half-million dollar incomes grows from 156 to 1,489 between 1920 and 1929, a phenomenal rise compared to other decades. But that is still less than 1 percent of all income-earners.

1922

- The conservative Supreme Court strikes down federal child labor legislation.

1923

- President Warren Harding dies in office; his administration was easily one of the most corrupt in American history. Calvin Coolidge, who is squeaky clean by comparison, becomes president. Coolidge is no less committed to laissez-faire and a non-interventionist government. He announces to the American people: "The business of America is business."
- Supreme Court nullifies minimum wage for women in District of Columbia.

1924

- The Ku Klux Klan reaches the height of its influence in America: by the end of the year it will claim 9 million members. It will decline drastically in 1925, however, after financial and moral scandals rock its leadership.
- The stock market begins its spectacular rise. Bears little relation to the rest of the economy.

1925

- The top tax rate is lowered to 25 percent - the lowest top rate in the eight decades since World War I.
- Supreme Court rules that trade organizations do not violate anti-trust laws as long as some competition survives.

1928

- The construction boom is over.
- Farmers' share of the national income has dropped from 15 to 9 percent since 1920.
- Between May 1928 and September 1929, the average prices of stocks will rise 40 percent. Trading will mushroom from 2-3 million shares per day to over 5 million. The boom is largely artificial.

1929

- Herbert Hoover becomes President. Hoover is a staunch individualist but not as committed to *laissez-faire* ideology as Coolidge.
- More than half of all Americans are living below a minimum subsistence level.
- Annual per-capita income is \$750; for farm people, it is only \$273.
- Backlog of business inventories grows three times larger than the year before. Public consumption markedly down.
- Freight carloads and manufacturing fall.
- Automobile sales decline by a third in the nine months before the crash.

- Construction down \$2 billion since 1926.
- Recession begins in August, two months before the stock market crash. During this two month period, production will decline at an annual rate of 20 percent, wholesale prices at 7.5 percent, and personal income at 5 percent.
- Stock market crash begins October 24. Investors call October 29 "Black Tuesday." Losses for the month will total \$16 billion, an astronomical sum in those days.
- Congress passes Agricultural Marketing Act to support farmers until they can get back on their feet.

1930

- By February, the Federal Reserve has cut the prime interest rate from 6 to 4 percent. Expands the money supply with a major purchase of U.S. securities. However, for the next year and a half, the Fed will add very little money to the shrinking economy. (At no time will it actually pull money out of the system.) Treasury Secretary Andrew Mellon announces that the Fed will stand by as the market works itself out: "Liquidate labor, liquidate stocks, liquidate real estate... values will be adjusted, and enterprising people will pick up the wreck from less-competent people." ([More](#))
- The Smoot-Hawley Tariff passes on June 17. With imports forming only 6 percent of the GNP, the 40 percent tariffs work out to an effective tax of only 2.4 percent per citizen. Even this is compensated for by the fact that American businesses are no longer investing in Europe, but keeping their money stateside. The consensus of modern economists is that the tariff made only a minor contribution to the Great Depression in the U.S., but a major one in Europe. ([More](#))
- The first bank panic occurs later this year; a public run on banks results in a wave of bankruptcies. Bank failures and deposit losses are responsible for the contracting money supply.
- Supreme Court rules that the monopoly U.S. Steel does not violate anti-trust laws as long as competition exists, no matter how negligible.
- Democrats gain in Congressional elections, but still do not have a majority.
- The GNP falls 9.4 percent from the year before. The unemployment rate climbs from 3.2 to 8.7 percent.

1931

- No major legislation is passed addressing the Depression.
- A second banking panic occurs in the spring.
- The GNP falls another 8.5 percent; unemployment rises to 15.9 percent.

1932

- This and the next year are the worst years of the Great Depression. For 1932, GNP falls a record 13.4 percent; unemployment rises to 23.6 percent.
- Industrial stocks have lost 80 percent of their value since 1930.
- 10,000 banks have failed since 1929, or 40 percent of the 1929 total.

- About \$2 billion in deposits have been lost since 1929.
- Money supply has contracted 31 percent since 1929.
- GNP has also fallen 31 percent since 1929.
- Over 13 million Americans have lost their jobs since 1929.
- Capital growth investments have dropped from \$16.2 billion to 1/3 of one billion since 1929.
- Farm prices have fallen 53 percent since 1929.
- International trade has fallen by two-thirds since 1929.
- The Fed makes its first major expansion of the money supply since February 1930.
- Congress creates the Reconstruction Finance Corporation. ([More](#))
- Congress passes the Federal Home Loan Bank Act and the Glass-Steagall Act of 1932. ([More](#))
- Top tax rate is raised from 25 to 63 percent.
- Popular opinion considers Hoover's measures too little too late. Franklin Roosevelt easily defeats Hoover in the fall election. Democrats win control of Congress.
- At his Democratic presidential nomination, Roosevelt says: "I pledge you, I pledge myself, to a new deal for the American people."

1933

- Roosevelt inaugurated; begins "First 100 Days" of intensive legislative activity. ([More](#))
- A third banking panic occurs in March. Roosevelt declares a Bank Holiday; closes financial institutions to stop a run on banks.
- Alarmed by Roosevelt's plan to redistribute wealth from the rich to the poor, a group of millionaire businessmen, led by the Du Pont and J.P. Morgan empires, plans to overthrow Roosevelt with a military coup and install a fascist government. The businessmen try to recruit General Smedley Butler, promising him an army of 500,000, unlimited financial backing and generous media spin control. The plot is foiled when Butler reports it to Congress. ([More](#))
- Congress authorizes creation of the Agricultural Adjustment Administration, the Civilian Conservation Corps, the Farm Credit Administration, the Federal Deposit Insurance Corporation, the Federal Emergency Relief Administration, the National Recovery Administration, the Public Works Administration and the Tennessee Valley Authority. ([More](#))
- Congress passes the Emergency Banking Bill, the Glass-Steagall Act of 1933, the Farm Credit Act, the National Industrial Recovery Act and the Truth-in-Securities Act. ([More](#))
- U.S. goes off the gold standard.
- Roosevelt does much to redistribute wealth from the rich to the poor, but is obsessed with a balanced budget. He later rejects Keynes' advice to begin heavy deficit spending.

- The free fall of the GNP is significantly slowed; it dips only 2.1 percent this year. Unemployment rises slightly, to 24.9 percent.

1934

- Congress authorizes creation of the Federal Communications Commission, the National Mediation Board and the Securities and Exchange Commission. ([More](#))
- Congress passes the Securities and Exchange Act and the Trade Agreement Act. ([More](#))
- The economy turns around: GNP rises 7.7 percent, and unemployment falls to 21.7 percent. A long road to recovery begins.
- Sweden becomes the first nation to recover fully from the Great Depression. It has followed a policy of Keynesian deficit spending. ([More](#))

1935

- The Supreme Court declares the National Recovery Administration to be unconstitutional.
- Congress authorizes creation of the Works Progress Administration, the National Labor Relations Board and the Rural Electrification Administration. ([More](#))
- Congress passes the Banking Act of 1935, the Emergency Relief Appropriation Act, the National Labor Relations Act, and the Social Security Act. ([More](#))
- Economic recovery continues: the GNP grows another 8.1 percent, and unemployment falls to 20.1 percent.

1936

- The Supreme Court declares part of the Agricultural Adjustment Act to be unconstitutional.
- In response, Congress passes the Soil Conservation and Domestic Allotment Act. ([More](#))
- Top tax rate raised to 79 percent.
- Economic recovery continues: GNP grows a record 14.1 percent; unemployment falls to 16.9 percent.
- Germany becomes the second nation to recover fully from the Great Depression, through heavy deficit spending in preparation for war.

1937

- The Supreme Court declares the National Labor Relations Board to be unconstitutional.
- Roosevelt seeks to enlarge and therefore liberalize the Supreme Court. This attempt not only fails, but outrages the public.
- Economists attribute economic growth so far to heavy government spending that is somewhat deficit. Roosevelt, however, fears an unbalanced budget and cuts spending for 1937. That summer, the nation plunges into another recession. Despite this, the yearly GNP rises 5.0 percent, and unemployment falls to 14.3 percent.

1938

- Congress passes the Agricultural Adjustment Act of 1938 and the Fair Labor Standards Act. ([More](#))
- No major New Deal legislation is passed after this date, due to Roosevelt's weakened political power.
- The year-long recession makes itself felt: the GNP falls 4.5 percent, and unemployment rises to 19.0 percent.
- Britain becomes the third nation to recover as it begins deficit spending in preparation for war.

1939

- GNP rises 7.9 percent; unemployment falls to 17.2 percent.
- The United States will begin emerging from the Depression as it borrows and spends \$1 billion to build its armed forces. From 1939 to 1941, when the Japanese attack Pearl Harbor, U.S. manufacturing will have shot up a phenomenal 50 percent!
- The Depression is ending worldwide as nations prepare for the coming hostilities.
- World War II starts with Hitler's invasion of Poland.

1945

- Although the war is the largest tragedy in human history, the United States emerges as the world's only economic superpower. Deficit spending has resulted in a national debt 123 percent the size of the GDP. By contrast, in 1994, the \$4.7 trillion national debt will be only 70 percent of the GDP!
- The top tax rate is 91 percent. It will stay at least 88 percent until 1963, when it is lowered to 70 percent. During this time, America will experience the greatest economic boom it has ever known.

ECONOMIC TIMELINE

The following timeline shows the order of economic events during the Great Depression. Notice the effect that deficit spending had on economic growth:

Receipts: Tax receipts as a percentage of the Gross Domestic Product

Spending: Federal spending as a percentage of the Gross Domestic Product

GNP: Percent change in the Gross National Product

Unemp.: Unemployment rate

Year	Tax Receipts	Federal Spending	GNP Growth	Unemp. Rate	
1929	--	--	--	3.2%	< Hoover era, Great Depression begins
1930	4.2%	3.4%	- 9.4%	8.7	
1931	3.7	4.3	- 8.5	15.9	
1932	2.9	7.0	-13.4	23.6	
1933	3.5	8.1	- 2.1	24.9	< FDR, New Deal begins; contraction ends March
1934	4.9	10.8	+ 7.7	21.7	
1935	5.3	9.3	+ 8.1	20.1	

1936	5.1	10.6	+14.1	16.9	
1937	6.2	8.7	+ 5.0	14.3	< recession begins, May
1938	7.7	7.8	- 4.5	19.0	< recession ends, June
1939	7.2	10.4	+ 7.9	17.2	
1940	6.9	9.9			
1941	7.7	12.1			
1942	10.3	24.8			
1943	13.7	44.8			
1944	21.7	45.3			
1945	21.3	43.7			

As you can see, Roosevelt began relatively modest deficit spending that arrested the slide of the economy and resulted in some astonishing growth numbers. (Roosevelt's average growth of 5.2 percent during the Great Depression is even higher than Reagan's 3.7 percent growth during his so-called "Seven Fat Years!") When 1936 saw a phenomenal record of 14 percent growth, Roosevelt eased back on the deficit spending, overly worried about balancing the budget. But this only caused the economy to slip back into a recession, as the above chart shows.

I have been unable to find reliable economic growth figures from World War II, but as a generalization it is safe to say the economy exploded, experiencing it's greatest growth in U.S. history. Between 1940 and 1945, the GDP nearly doubled in size, from \$832 billion to \$1,559 billion in constant 87 dollars. And this occurred as deficit spending soared, to levels Keynes had earlier and unsuccessfully recommended to Roosevelt.

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