

GDP During the Great Depression



Thousands of businesses—like this small shop in Eastport, Maine—failed or went bankrupt during the Great Depression.

U.S. Gross Domestic Product, 1929–1942

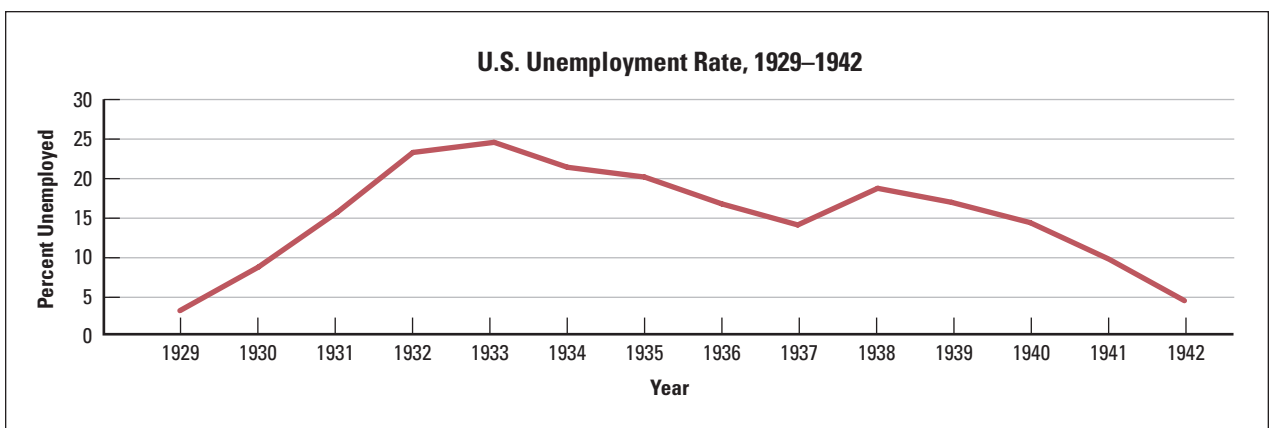
Year	Real GDP (in billions)	Real GDP Growth
1929	\$865.2	6.0%
1930	790.7	−8.6%
1931	739.9	−6.4%
1932	643.7	−13.0%
1933	635.5	−1.3%
1934	704.2	10.8%
1935	766.9	8.9%
1936	866.6	13.0%
1937	911.1	5.1%
1938	879.7	−3.4%
1939	950.7	8.1%
1940	1,034.1	8.8%
1941	1,211.1	17.1%
1942	1,435.4	18.5%

Source: U.S. Department of Commerce.

Unemployment During the Great Depression



Unemployed men line up at a soup kitchen in Chicago, Illinois.

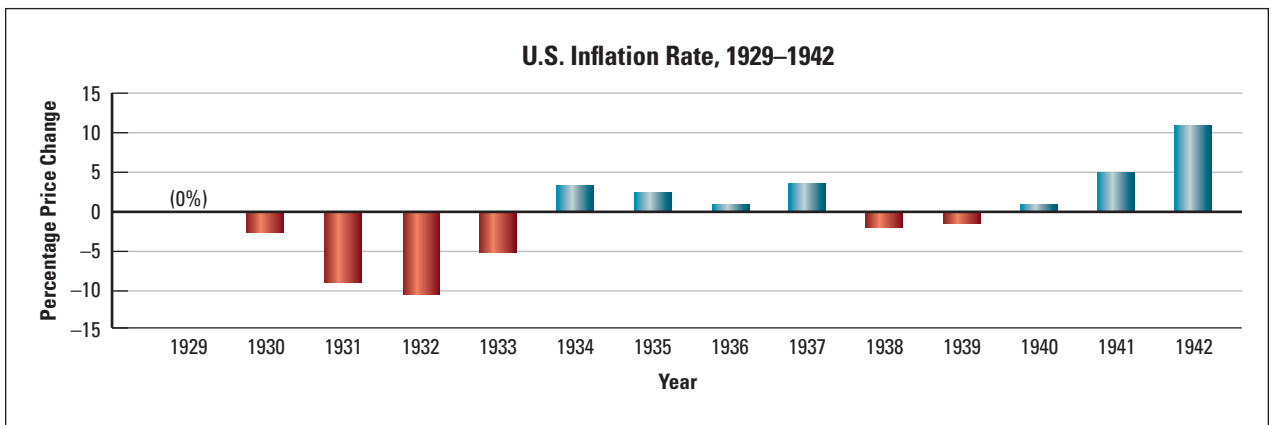


Source: U.S. Bureau of Labor Statistics.

Inflation During the Great Depression



A New York City restaurant offers bargain prices to attract customers.

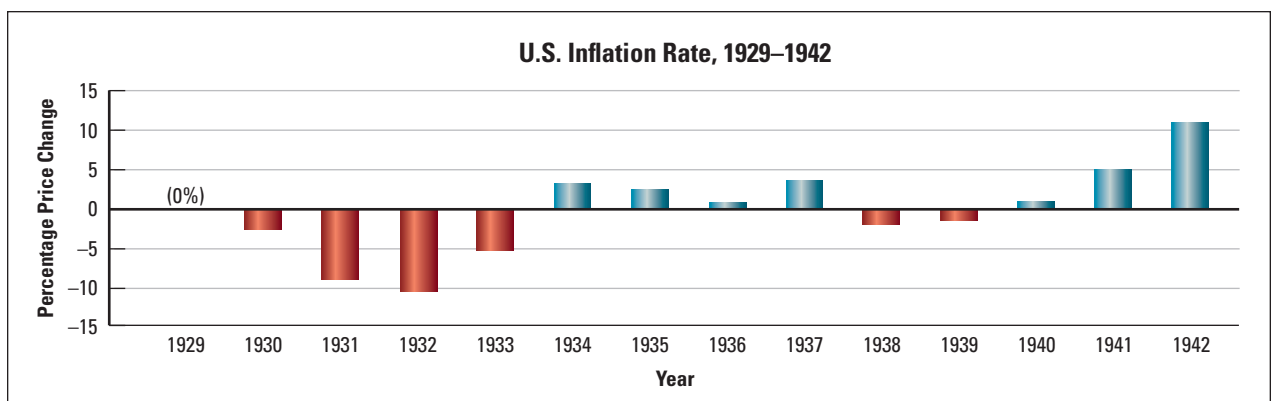


Source: MeasuringWorth.com.

U.S. Economy During the Great Depression

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Puzzle for Economy A

During this time period, this country was experiencing steady growth when a financial crisis hit the region. The crisis revealed weak financial institutions and enormous business debt. Thousands of people were laid off, and prices rose quickly. The International Monetary Fund offered a recovery loan if this country promised to allow more foreign investment. A flood of investment and economic reforms promoted a quick recovery.

Economic growth returned the year following the financial crisis. The government feared that too rapid a recovery would raise prices. In the years after the financial crisis, the country's central bank tightly controlled the amount of money in the economy.

This country is a major producer and exporter of electronics, automobiles, clothing, and ships. These industries are supported by a well-educated and skilled labor force. Though these workers typically receive lower wages than other countries, they demand job security. Even when economic reforms raised unemployment, the government retrained many workers who lost jobs.

Photograph 1

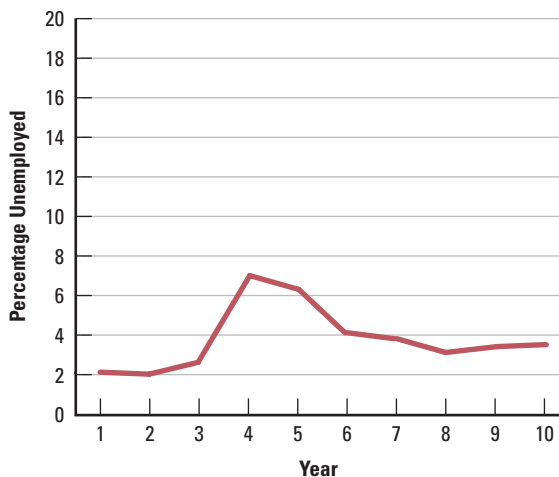


A trade surplus was created when production costs in major industries declined.

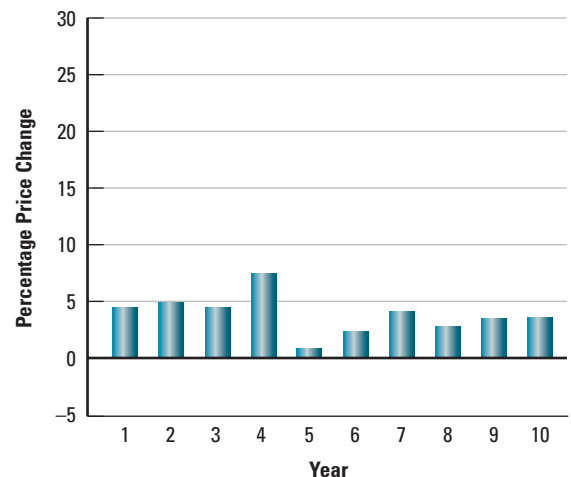
GDP Table 2

	Real GDP (in billions)	Real GDP Growth
Year 1	\$413.0	9.2%
Year 2	441.9	7.0%
Year 3	462.5	4.5%
Year 4	430.8	-6.9%
Year 5	471.6	9.5%
Year 6	511.7	8.5%
Year 7	531.3	3.8%
Year 8	568.3	7.0%
Year 9	585.9	3.1%
Year 10	613.6	4.7%

Unemployment Rate Graph 3



Inflation Rate Graph 2



Source: World Development Index Online.

Puzzle for Economy B

At the beginning of this time period, this country implemented economic reforms in response to recession and hyperinflation. Privatization of major industries attracted huge amounts of foreign investment. Free-trade agreements with neighboring countries doubled foreign trade. Outlawing the printing of money to finance public debt significantly reduced inflation.

A series of negative shocks tested these reforms. When a financial crisis hit the region, consumer demand fell and credit for investment became less available. The country's economy recovered within a year. Then an economic crisis hit a nearby country that is a major trading partner. Demand for exports fell, prices declined, consumer spending decreased, and the government ordered a freeze on public spending.

In response, this country devalued its currency so it would have a more accurate exchange value. Prices rose, and people turned to bartering for goods and services. The government could not afford the interest on its numerous foreign loans and defaulted on some of them. An already high unemployment rate was made worse. But, by the end of this time period, the effects of the negative shocks seemed to have settled. The economic reforms may have worked after all.

Photograph 2

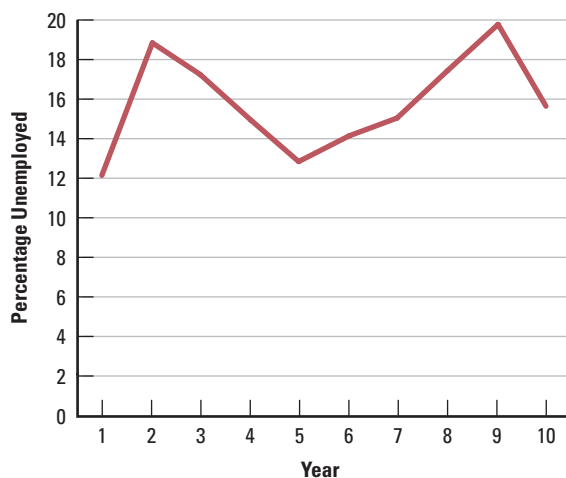


Frequent protests over economic conditions were common.

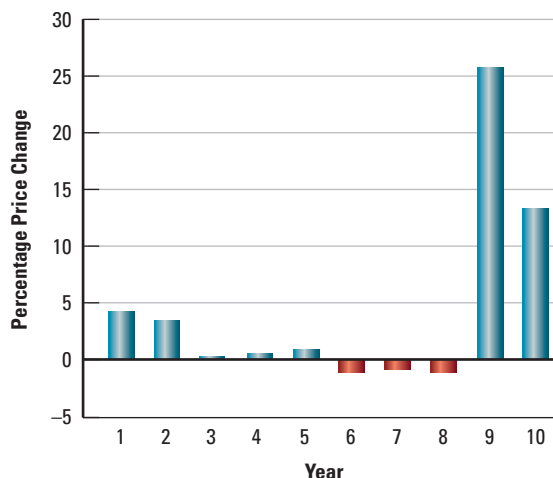
GDP Table 1

	Real GDP (in billions)	Real GDP Growth
Year 1	\$257.6	5.8%
Year 2	250.3	-2.9%
Year 3	264.1	5.5%
Year 4	285.5	8.1%
Year 5	296.5	3.9%
Year 6	286.5	-3.4%
Year 7	284.2	-0.8%
Year 8	271.7	-4.4%
Year 9	242.1	-10.9%
Year 10	263.5	8.8%

Unemployment Rate Graph 2



Inflation Rate Graph 3



Source: World Development Index Online.

Puzzle for Economy C

At the beginning of this time period, this country came under new leadership. Economic concerns, especially about a growing public debt, were partly responsible for the change. The new leadership responded by cutting government spending and creating a budget surplus. This helped lower interest rates, which encouraged capital investment and consumer spending.

This country is known for its technological innovations. Technological advances during this time period created new job opportunities and increased worker productivity. This increase in worker productivity kept production costs low. Businesses posted strong earnings while also keeping down prices for consumers.

There were concerns that the demand for labor would exceed the supply. Workers would demand—and employers would have to pay—higher wages. But wages remained steady. Memories of previously high unemployment rates kept workers committed to their jobs. Steady wages and low prices prevented the onset of a wage-price spiral.

Photograph 3

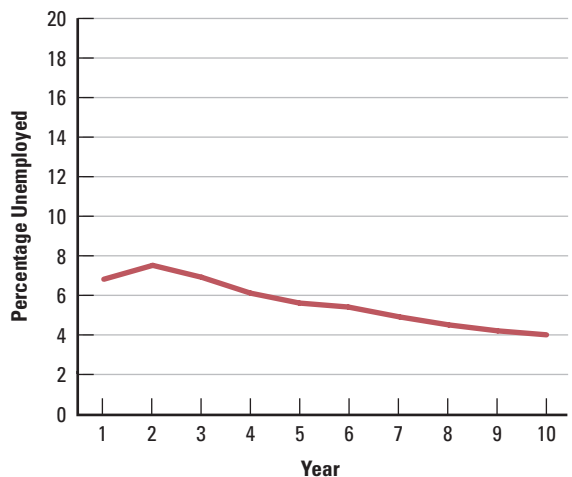


New companies in computer and Internet industries created job and investment opportunities.

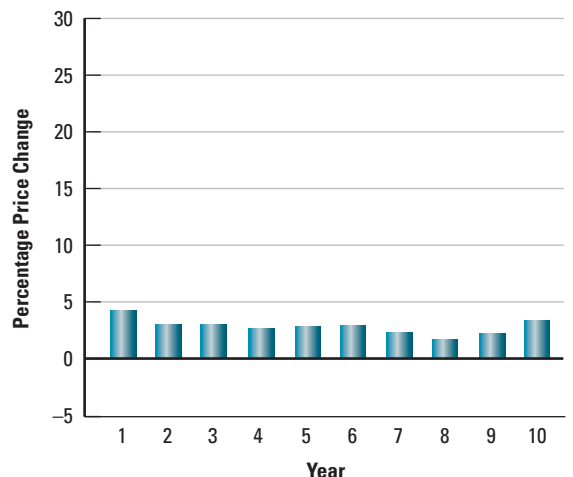
GDP Table 3

	Real GDP (in billions)	Real GDP Growth
Year 1	\$7,041.3	-0.2%
Year 2	7,276.2	3.3%
Year 3	7,472.0	2.7%
Year 4	7,775.5	4.1%
Year 5	7,972.8	2.5%
Year 6	8,271.4	3.8%
Year 7	8,648.6	4.6%
Year 8	9,012.5	4.2%
Year 9	9,417.1	4.5%
Year 10	9,764.8	3.7%

Unemployment Rate Graph 1



Inflation Rate Graph 1



Source: World Development Index Online.