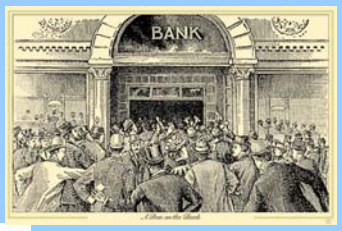
More on the Great Depression



More

Year	GDP Deflator	U	η
1928		4.2	
1929	11.98	3.2	0.0%
1930	11.54	8.9	-3.7%
1931	10.34	16.3	-10.4%
1932	9.12	24.1	-11.8%
1933	8.88	25.2	-2.7%
1934	9.37	22.0	5.6%
1935	9.56	20.3	2.0%
1936	9.67	17.0	1.1%
1937	10.08	14.3	4.3%
1938	9.79	19.1	-2.9%
1939	9.70	17.2	-1.0%
1940	9.81	14.6	1.2%
1941	10.47	9.9	6.7%

More

Year	GDP Deflator	U
1928		4.2
1929	11.98	3.2
1930	11.54	8.9
1931	10.34	16.3
1932	9.12	24.1
1933	8.88	25.2
1934	9.37	22.0
1935	9.56	20.3
1936	9.67	17.0
1937	10.08	14.3
1938	9.79	19.1
1939	9.70	17.2
1940	9.81	14.6
1941	10.47	9.9

In 1929, the GDP deflator was 11.98. Multiply 2000 prices by 0.1198 to get 1929 prices; divide 1929 prices by 0.1198 to get 2000 prices

More

To say this is crude is an understatement

Year	GDP Deflator	U
1928		4.2
1929	11.98	3.2
1930	11.54	8.9
1931	10.34	16.3
1932	9.12	24.1
1933	8.88	25.2
1934	9.37	22.0
1935	9.56	20.3
1936	9.67	17.0
1937	10.08	14.3
1938	9.79	19.1
1939	9.70	17.2
1940	9.81	14.6
1941	10.47	9.9

In 1929, the GDP deflator was 11.98. Multiply 2000 prices by 0.1198 to get 1929 prices; divide 1929 prices by 0.1198 to get 2000 prices

More

Year	GDP Deflator	U	η
1928		4.2	
1929	11.98	3.2	0.0%
1930	11.54	8.9	-3.7%
1931	10.34	16.3	-10.4%
1932	9.12	24.1	-11.8%
1933	8.88	25.2	-2.7%
1934	9.37	22.0	5.6%
1935	9.56	20.3	2.0%
1936	9.67	17.0	1.1%
1937	10.08	14.3	4.3%
1938	9.79	19.1	-2.9%
1939	9.70	17.2	-1.0%
1940	9.81	14.6	1.2%
1941	10.47	9.9	6.7%

More

Year	GDP Deflator	U	η
1928		4.2	
1929	11.98	3.2	0.0%
1930	11.54	8.9	-3.7%
1931		16.3	-10.4%
1932		24.1	-11.8%
1933		25.2	-2.7%
1934		22.0	5.6%
1935		20.3	2.0%
1936		17.0	1.1%
1937		14.3	4.3%
1938		19.1	-2.9%
1939		17.2	-1.0%
1940		14.6	1.2%
1941		9.9	6.7%

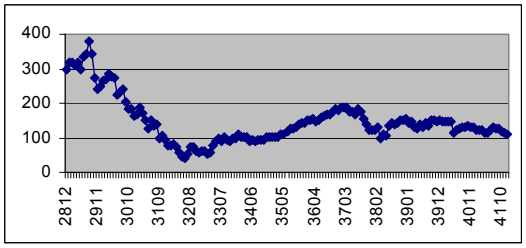
Between 1928 to 1929, the GDP deflator went from 11.98 to 11.54, a 3.7% decline

$$\eta = \frac{11.54 - 11.98}{11.98} = -3.7\%$$

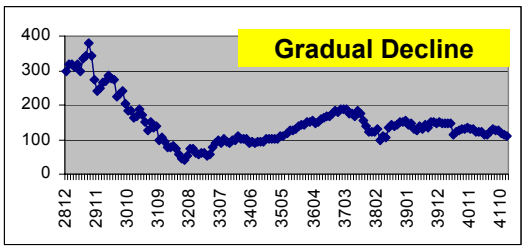
More

Year	GDP Deflator	U	η
1928		4.2	
1929	11.98	3.2	0.0%
1930	11.54	8.9	-3.7%
1931	10.34	16.3	-10.4%
1932	9.12	24.1	-11.8%
1933	8.88	25.2	-2.7%
1934	9.37	22.0	5.6%
1935	9.56	20.3	2.0%
1936	9.67	17.0	1.1%
1937	10.08	14.3	4.3%
1938	9.79	19.1	-2.9%
1939	9.70	17.2	-1.0%
1940	9.81	14.6	1.2%
1941	10.47	9.9	6.7%

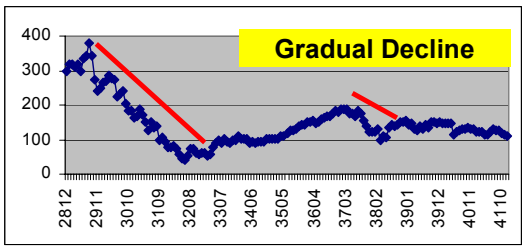
The Dow



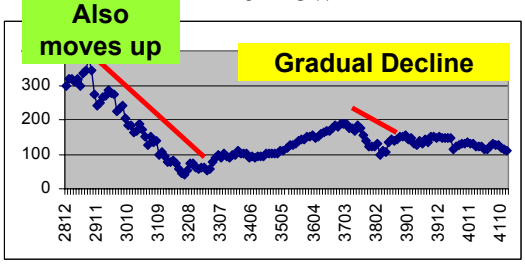
The Dow



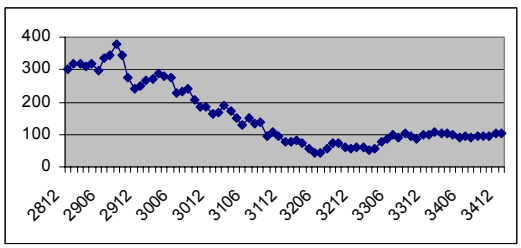
The Dow



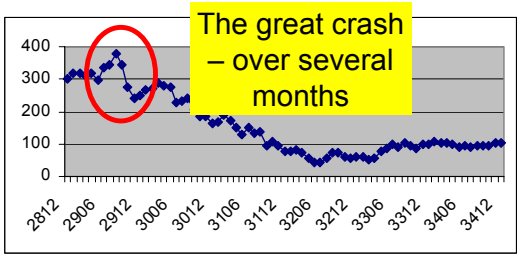
The Dow



A Smaller Time Period



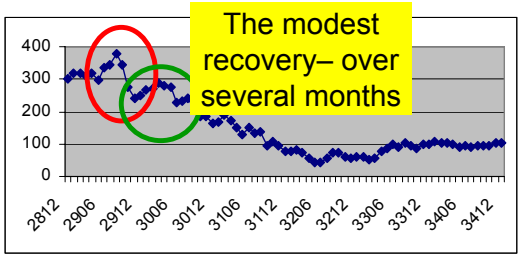
A Smaller Time Period



KENT STATE UNIVERSITY

More on the Great Depression

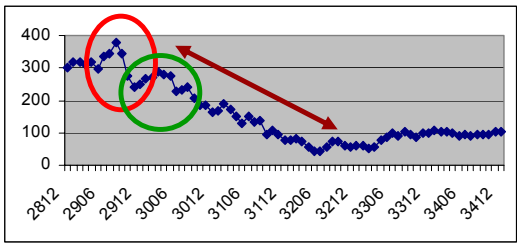
Hope is Just Around the Corner



KENT STATE UNIVERSITY

More on the Great Depression

No It is Not



KENT STATE UNIVERSITY

More on the Great Depression

Real Rates

Year	Prime (%)	η	r_r
1928			
1929	5.85	0.0%	5.85%
1930	3.59	-3.7%	7.53%
1931	2.64	-10.4%	14.53%
1932	2.73	-11.8%	16.42%
1933	1.73	-2.7%	4.55%
1934	1.02	5.6%	-4.31%
1935	0.75	2.0%	-1.23%
1936	0.75	1.1%	-0.37%
1937	0.94	4.3%	-32.40%
1938	0.81	-2.9%	-3.83%
1939	0.59	-1.0%	-1.58%
1940	0.56	1.2%	-0.60%
1941	0.53	6.7%	-5.78%

KENT STATE UNIVERSITY

More on the Great Depression

Real Rates

$$r_r = \frac{r_n - \eta}{1 + \eta}$$

This is the realized real rate, not the expected

Year	Prime (%)	η	r_r
1928			
1929	5.85	0.0%	5.85%
1930	3.59	-3.7%	7.53%
1931	2.64	-10.4%	14.53%
1932	2.73	-11.8%	16.42%
1933	1.73	-2.7%	4.55%
1934	1.02	5.6%	-4.31%
1935	0.75	2.0%	-1.23%
1936	0.75	1.1%	-0.37%
1937	0.94	4.3%	-32.40%
1938	0.81	-2.9%	-3.83%
1939	0.59	-1.0%	-1.58%
1940	0.56	1.2%	-0.60%
1941	0.53	6.7%	-5.78%

KENT STATE UNIVERSITY

More on the Great Depression

Remember this is the rate you had to earn to justify an investment, not the return on that investment

$$r_r = \frac{r_n - \eta}{1 + \eta}$$

This is the realized real rate, not the expected

Year	Prime (%)	η	r_r
1928			
1929	5.85	0.0%	5.85%
1930	3.59	-3.7%	7.53%
1931	2.64	-10.4%	14.53%
1932	2.73	-11.8%	16.42%
1933	1.73	-2.7%	4.55%
1934	1.02	5.6%	-4.31%
1935	0.75	2.0%	-1.23%
1936	0.75	1.1%	-0.37%
1937	0.94	4.3%	-32.40%
1938	0.81	-2.9%	-3.83%
1939	0.59	-1.0%	-1.58%
1940	0.56	1.2%	-0.60%
1941	0.53	6.7%	-5.78%

KENT STATE UNIVERSITY

More on the Great Depression

Money in the Great Depression		
Year	Money Supply (M_1)	Money Supply (M_2)
1928	26.38	46.42
1929	26.64	46.60
1930	25.76	45.73
1931	24.14	42.69
1932	21.11	36.05
1933	19.91	32.22
1934	21.86	34.36
1935	25.88	39.07
1936	29.55	43.48
1937	30.91	45.68
1938	30.52	45.51
1939	34.15	49.27
1940	39.65	55.20
1941	46.52	62.51
Billions of Dollars, Annual Average		

KENT STATE UNIVERSITY

More on the Great Depression

M_2 fell by 31%!

Money in the Great Depression		
Year	Money Supply (M_1)	Money Supply (M_2)
1928	26.38	46.42
1929	26.64	46.60
1930	25.76	45.73
1931	24.14	42.69
1932	21.11	36.05
1933	19.91	32.22
1934	21.86	34.36
1935	25.88	39.07
1936	29.55	43.48
1937	30.91	45.68
1938	30.52	45.51
1939	34.15	49.27
1940	39.65	55.20
1941	46.52	62.51
Billions of Dollars, Annual Average		

KENT STATE UNIVERSITY

More on the Great Depression

M_2 fell by 31%!

Money in the Great Depression		
Year(1)	Money Supply (M_1)	Money Supply (M_2)
1928	26.38	46.42
1929	26.64	46.60
1930	25.76	45.73
1931	24.14	42.69
1932	21.11	36.05
1933	19.91	32.22
1934	21.86	34.36
1935	25.88	39.07
1936	29.55	43.48
1937	30.91	45.68
1938	30.52	45.51
1939	34.15	49.27
1940	39.65	55.20
1941	46.52	62.51
Billions of Dollars, Annual Average		

KENT STATE UNIVERSITY

More on the Great Depression

M_2 fell by 31%!

Money in the Great Depression		
Year (1)	Money Supply (M_1	Money Supply (M_2
1928	26.38	46.42
1929	26.64	46.60
1930	25.76	45.73
1931	24.14	42.69
1932	21.11	36.05
1933	19.91	32.22
1934	21.86	34.36
1935	25.88	39.07
1936	29.55	43.48
1937	30.91	45.68
1938	30.52	45.51
1939	34.15	49.27
1940	39.65	55.20
1941	46.52	62.51
Billions of Dollars, Annual Average		

KENT STATE UNIVERSITY

More on the Great Depression

End

©2006 Charles W. Upton.
All rights reserved

KENT STATE UNIVERSITY

More on the Great Depression