

The Consumer Society and the Great Depression

1. The 1920s and Household Technology. Only in the 20s did the industrial revolution hit the household; before, it was concentrated in things like railroads and military ships.
 - (a) Assembly line production, epitomized by Henry Ford, sets up a world in which employers pay their employees well enough to be consumers.
Henry Ford
The five dollar day
 - (b) Over the 1920s, household electrification goes from one in three to three in four.
 - i. Not just cars are mass produced; refrigerators, toasters, etc.
2. But there are dark clouds over the economy in the 20s
 - (a) The industrial economy has persistently high unemployment; about 10%. And relies on consumers buying things using credit or installment plans.
Installment buying
 - (b) The Farm Crisis: massive overproduction of grain leaves grain prices plunging and farmers, with their newly mechanized farms, struggling to make do once again.
 - i. Cars aren't just in cities; mechanical tractors dramatically reshape farmwork, as 9 million work animals are destroyed freeing up all their pasture land.
McNary-Haugen Bill
3. What caused the Great Depression?
 - (a) A big question that we don't know the complete answer to; still a hotly debated topic.
 - i. We know it was an international event, with massive unemployment and catastrophic effects.
 - (b) A stock market crash? This is the popular memory, but there's strikingly little evidence that the market crash in 1929 was either necessary or sufficient for the economic collapse that didn't happen until 1930-31.
Black Thursday
Call loans
 - (c) Presidential Leadership? Probably not.
 - i. Herbert Hoover was the most activist, economy intervening president you could hope for.
 - (d) The Tariff? The Republican solution for everything probably hurt the global system, but not critically.
Smoot-Hawley Tariff
 - (e) The Banking System? Yes, this one really matters.
 - i. One fifth of all the banks in the country failed between 1930 and 1933.
Bank panics of 1930-1933
What happens in a bank run?

- ii. Mismanagement by the Federal Reserve Bank?
- iii. The gold standard strikes again: major problems at home, and ensures the depression spreads from the US to the rest of the world.
 - A. When banks start failing, that makes people pull their cash out and effectively limits the money in active circulation. Countries that go off the gold standard, like Britain, recover faster than those that cling to it like the US.
- (f) **Secular Stagnation?**
 - i. The idea that the economy had reached its natural point of maximum growth, and the challenge from here on out is dividing the spoils. (Possibly true).
- 4. The great depression in action
 - (a) Deflation and bank panics; they wipe out savings.
 - (b) A quarter of the population unemployed; suicides up; people rely on philanthropists and charities, but they can't handle the weight.
 - Breadlines**
 - i. The **Bonus army** of veterans marches on Washington
- 5. The Election of 1932: Hoover vs Roosevelt
 - (a) It's a landslide; but not because Roosevelt has laid out any specific program, just because he's not Hoover
 - (b) What will FDR actually do? He needs to be in office for anyone to find out.