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A Matter of Scale: Assessing the Great Recession against the Great Depression

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Looking at the economic and social landscape of the United States during the period from 2007 to 2012, there is absolutely no doubt that something momentous occurred. Beginning in 2007, the American economy soured, businesses shed workers and many simply failed, real estate prices and the stock market plummeted, and the nation and the world entered into what has been dubbed the Great Recession. The fact that this particular economic downturn has been named the Great Recession brings with it an inevitable comparison with the Great Depression of the 1930s. There are parallels aplenty: both began with a "bubble" (overvalued stock in 1929 and overvalued real estate in 2007), the stock market crashed, and millions of people lost their jobs (and could not find new ones), lost their life savings, and lost their homes by foreclosure. But are there enough similarities between the two events to call the Great Recession a "second Great Depression?" That type of question calls for more than just a gut feeling based upon one's personal experience of economic hard times. To make a true comparison between the two periods, one needs to examine factors such as the extent of the economic collapse, the impact of the economic downfall on individuals and companies, and the political and social impact of the collapse. Finally—armed with those facts—one can make some preliminary assessments of how the Great Recession might be viewed historically and whether or not it, indeed, compares to the Great Depression. What this evidence demonstrates is that, although the impact of the Great Recession on the nation and its people should not be underestimated, it was not the pervasive catastrophe on a society-wide scale that the Great Depression was.

To define an economic downturn as a depression is to say something specific, but also something that has no set definition. Interestingly, the term "depression" was used during the 1930s in order to avoid raising public concern. Previous downturns, such as the Panic of 1873 and the Panic of 1893, reflected a sense of imminent disaster. "Panic" was to be avoided, so the term "depression" was coined. As the Great Depression became part of American historical memory, economic downturns since the 1930s have avoided the term "depression" for the same reason as "panic": historical resonance. Now we call them "recessions," and there have been many. The Roosevelt Recession of 1937–1938, the Arab Oil Embargo Recession of 1973–1975, and the Reagan Recession of 1981–1982 were some of the worst, but none of them had the long-lasting economic, political, and social impact of the Great Depression. But even the term "recession" is, at best, imprecise. The commonly held view in the financial media is that a recession is two consecutive quarters with a decline in the gross domestic product (GDP), but many, such as the National Bureau of Economic Research, consider it more complex than that, taking into account factors such as the depth of decline in the gross domestic income as well as the decline in economic activity as a whole. Suffice it to say that there is guidance but not complete agreement between economists on what a recession is and is not. But a depression is more complex, encompassing not only an economic downturn, but also the resulting social and political implications of that downturn. In assessing the Great Recession, each of these factors needs to be examined.

Comparing the Economic Downturns

Looking at the Great Recession in comparison with the Great Depression, it becomes clear that, although economic difficulties were widespread and the downturn affected millions, it was not nearly as deep nor were the ramifications as dramatic as during the 1930s. During the Great Depression, the GDP declined 26.7% between the peak in August 1929 and the low point in March 1933, while the Great Recession pales in comparison, with only a 5.1% decline between the peak in December 2007 and the low point in June 2009. Unemployment numbers tell a similar story, with peak unemployment during the Great Depression hitting 24.9% in 1933, while the highest unemployment rate during the Great Recession was 10% in October 2009. Add to that the large number of African Americans in the South who were engaged in sharecropping arrangements that ensured poverty, but were considered employed, and the numbers for the Great Depression are even more devastating.[1]

Today, the chief economic indicator that many people use to examine the health of the economy (regardless of whether or not it is the best indicator) is the stock market, as reflected by the Dow Jones Industrial Average (DJIA). At the start of the Great Depression, the DJIA lost nearly 70% of its value in two-day period, on October 28 and October 29, 1929. Although it would even out, declines would continue, with the DJIA losing 87% of its value by mid-1932.[2] The Great Recession did bring a sizable decline in the DJIA, but its 53% drop between October 2007 and March 2009 pales in comparison, and the recovery seen during the Great Recession has occurred much more rapidly. Reforms in the financial system, such as automatic breaks in trading that kick in when a steep decline occurs, and regulation on personal speculation on stocks have prevented the cataclysmic decline that occurred in October 1929 from ever happening again.

In addition, there were economic factors in the Great Depression for which there is no comparison in the Great Recession. During the Great Depression, the money supply dropped 35%, prices declined by one-third, and fully one-third of U.S. banks failed.[3] Again, reforms in the monetary system, such as the rules governing the Federal Reserve and financial institution guarantees such as those administered by the Federal Deposit Insurance Corporation and the National Credit Union Administration, many of which were spurred by the Great Depression itself, have kicked in numerous times in the ensuing decades to head off the same type of deep, dramatic economic catastrophe as occurred during the 1930s.

Examining the Political and Social Impacts

The social upheaval of the Great Depression caused important changes in government, and the same can be said of the Great Recession—some of the parallels between the politics of the two times are striking, making the differences that much more interesting. Both resulted in a change in the political party orientation of the presidency. Both resulted in dramatic actions taken to stem the tide of the economic downturn. Both saw reactions against the agenda of the president from the political party that was not in control of the presidency at the time. And both saw the rise of extra-party movements that took the political discourse of the country into some very radical directions.

In 1932, Americans, who had by that time been mired in the Great Depression for nearly three years, elected Democratic New York Governor Franklin D. Roosevelt as president. Roosevelt promised "a new deal for the American people," but at the time of his election, the plan that would become the New Deal remained largely undefined. What most people at the time knew was that the market-dependent policies of the Republican Herbert Hoover administration were not working, and that change was needed. Change was also the buzzword in 2008, when Americans, discontent with the business-dependent policies of Republican President George W. Bush elected Democratic U.S. Senator Barack Obama, who promised "change we can believe in"—again, a largely undefined plan to improve the economy. The election of both men brought euphoria in many quarters—Roosevelt as the savior of the economy, and Obama as both that and the nation's first African American president.

What happened after the election could not have differed more. During Roosevelt's "first hundred days," a host of programs were passed by a congress that was also dominated by the Democrats—the Agricultural Adjustment Act to address the farmers' woes, the National Recovery Act to spur business growth, the Glass-Steagall Act to regulate and strengthen the banks; and the establishment of new government bodies such as the Civilian Conservation Corps to put young people back to work and the Federal Emergency Relief Administration to provide direct public assistance. Many of these policies were controversial among those who disagreed with Roosevelt's political philosophy, but were passed easily in the political climate of 1933. In order to help finance these programs, Roosevelt and congress acted to increase both taxes on the wealthy and the federal debt.

The political climate in 2009 was very different. Although Barack Obama also had a Democratically controlled congress, the Democrats were far less united, and had a much smaller appetite for large-scale direct government action to reform the economy. This change in attitude between the two eras was largely a result of the reaction against Democratic platforms that resulted in the creation of large government programs, such as Roosevelt's New Deal, Harry S Truman's Fair Deal of the 1940s, and Lyndon B. Johnson's Great Society of the 1960s. Beginning with Ronald Reagan's election in 1980, Republicans articulated a different vision, with small government as the stated goal. By 2009, it was a matter of political fact that government interaction with the economy was not to happen directly as it had in 1933, but through the medium of assistance to large corporations. Instead of the establishment of government-run programs to impact specific sectors of the economy like the 1930s, Congress passed Obama's American Recovery and Reinvestment Act (popularly called the "stimulus"), which provided money to businesses to build new infrastructure or to fund new energy programs. Although there was some assistance to low-income families and the unemployed, much more money went to fund tax cuts that disproportionately benefited the wealthy and large corporations. Though Obama sought to fund government programs by allowing president George W. Bush's tax cuts on Americans making over $250,000 to expire, Republicans in the Senate would not allow it to happen.

Basically, the 2009 version of government action sought to restore the consumer economy rather than the 1933 goals of first helping people survive the Depression, then seeking to mitigate the factors that caused it. But despite these differences in what transpired, the Republicans' reactions to both Roosevelt's and Obama's actions were negative in the extreme. Even though they were in the minority in the Senate, Republican senators, unlike their predecessors in 1933, employed the filibuster to prevent many items with which they disagreed from coming to a vote. Although Obama was able to push through his stimulus bill and the Affordable Care Act (that sought to reform the health insurance industry and provide health care for the uninsured), he had nowhere near the free hand to implement his policies that Roosevelt had. In that sense, the conservative movement in the Republican Party showed itself to be much stronger during the Great Recession than during the Great Depression.

Both the Depression and the Recession saw the rise of voices on both extremes of the political continuum, which articulated viewpoints that the government's actions went too far, or did not go far enough. Conservatives argued that the New Deal threatened to turn the United States into a socialist nation, and that Roosevelt's expansion of the power of the executive branch threatened the separation of powers. For the most part, however, these arguments failed to resonate with people whose lives had begun to improve with government assistance. Arguing that Roosevelt's actions were too timid, Governor and later Senator Huey P. Long of Louisiana articulated a more thoroughgoing reform of the capitalist system. Long's "Share Our Wealth" plan sought to have the government take any personal fortune over $5–8 million (about $60–100 million today), and all annual income over $1 million (about $12 million today) and by doing so the government could promise each American family $4,000–$5,000 ($48,000–$60,000 today) with which to purchase a house and a car, as well as funding old age pensions, free education, and assistance to the poor. In addition, membership in the Communist Party USA rose from only 6,000 in 1932 to 75,000 in 1938.

During the 2000s and early 2010s, reactions against the president were equally vociferous. In early 2009 the Tea Party, a vocal, yet undefined conservative protest movement began. Alternately a grassroots movement and one funded by some very large corporations and political organizations, Tea Party leaders argued that the problem was that government was too large. Spending needed to be curtailed, including spending to help the economy. Strict adherence to a conservative understanding of the Constitution and an abhorrence of government debt and spending, and a harkening back to what was thought of as "simpler times" characterizes the Tea Party. Some opponents argued that those "simpler times" included a racist element, and incidents of heckling and allegedly spitting on African American congresspersons and vociferous support for restrictive immigration laws, such as Arizona's S.B. 1070, did little to help with this perception.

A common feature between the Great Depression and the Great Recession might be the disparity between the incomes of the very wealthy and the masses, and this fact helped spur the Occupy Movement, a left-leaning movement that saw Obama as complicit in the very system that had created the economic disaster. In 2011, the Occupy Wall Street protest began, which blamed the financial markets for driving the American economy into the Great Recession. The government bailout of banking and securities institutions, which largely benefited only the wealthiest Americans, spurred the movement, which argued for higher taxation of the wealthy (the "1 percent"), who had enjoyed the lowest tax rates since the institution of the federal income tax. Viewing the federal government as dominated by mega-corporations, the Occupy Movement argued that government and business actions should be framed to provide the greatest benefit for people rather than the greatest profit for corporations and the wealthy. An ambiguous movement of many extremes, the Occupy Movement struck many Americans as smacking of socialism, and the movement's focus on business as the problem and government as the solution did little to dispute this perception.

The Great Depression and Great Recession in Historical Memory

The long-term results of the programs started during the Great Depression are still felt today. Only time will tell whether the programs resulting from the Great Recession will still be in existence 75 or 80 years from now, but some preliminary assessments can be made. Although the Great Recession no doubt had dramatic effects on the American economic system and American politics, the place where the long-term differences can truly be seen between it and the Great Depression is in the impact that it had on American society. During the 1930s, the Depression affected everything, from popular music to cultural heroes to the way people related to one another. American society had gone through economic hard times before, but the Great Depression created its own culture. Runs on the banks, food riots, labor unrest leading to violence, and homelessness became commonplace. The hard economic times, combined with the incredible dust storms sweeping across the Great Plains, caused a massive migration of broke farmers from Oklahoma and Arkansas to California looking for itinerant agricultural work. People who were facing the worst times of their lives could not even drown their sorrows (legally, at least) until prohibition was lifted in December 1933. The hard times created new classes of dark heroes, ranging from sports stars like Babe Ruth to outlaws like John Dillinger, Bonnie and Clyde, and Al Capone. What these figures had in common was that they offered an escape, whether it be a mental escape or a literal one, from the hard times that encompassed every part of life. Few, if any, such figures exist for the Great Recession.

Although unemployment was just as difficult to deal with in 2009 as it was in 1933, government unemployment benefits softened the blow. Economic hard times did not spur anywhere near the cultural reaction that the Great Depression did. Spending habits changed some during the Great Recession, but nowhere near as radically as they did during the Depression. Americans still drove just as much as they did before, despite large spikes in gasoline prices. It is highly doubtful that the Great Recession will spur a generation of financially frugal people with memories of poverty as the Great Depression did. The rise in unionization that happened during the Depression is also unlikely to be repeated, as the political and social climate is not nearly as supportive of organized labor. Groups such as the Communist Party are likely to remain fringe organizations, as the vast majority of Americans, whether employed or unemployed, are not willing to accept a change to the basic economic structure of American society.

The expansion of the government's role in American life and the economy is similarly not likely to be repeated. During the Great Depression, federal programs directly employed millions—the Works Progress Administration alone employed nearly eight million between 1935 and 1943. The regulations placed on securities exchanges by Obama's

Dodd-Frank Wall Street Reform and Consumer Protection Act pale in comparison to the innovations in government aimed at directly benefiting the American people that took place in the 1930s: agricultural subsidies, bank deposit insurance, unemployment insurance, welfare programs, and social security. Many of these programs, now disparagingly called "entitlements" by their opponents, have grown to become massive parts of the federal budget, but are now so entrenched and politically sensitive that they are now seen by most as permanent, despite some Tea Party leaders wishing to do away with them. Probably the only political legacy that has a chance of having the long-term impact of Roosevelt's New Deal programs is the Affordable Care Act. Upheld by the U.S. Supreme Court in 2012 despite massive Republican and Tea Party opposition, it is possibly the only thing comparable in scale to the New Deal programs and that has the same potential to create an ongoing federal program that will be relied upon by millions of Americans—the very reasons that conservatives oppose it so vociferously.

Though there is no doubting the severity of the economic downturn dubbed the Great Recession that began in 2007, there is also no doubting the fact that it does not come close to comparing with the Great Depression of the 1930s in terms of its economic scale, its political impact on the ways that Americans thought about themselves and their relationship to the government, and in terms of the long-term effects on American society. Though it is still too early, as of 2012, to evaluate the ways that the Great Recession will impact American historical memory, it is clear that that impact will not begin to compare with the dramatic influence the Great Depression exercised on the American economy, its politics, and society as a whole over the rest of the 20th century.

Notes:

[1] Catherine Rampell, "Unemployment Today vs. the Great Depression," *The New York Times* (January 28, 2010).
[2] William E. Leuchtenburg, *The Perils of Prosperity, 1914-32* (Chicago: University of Chicago Press, 1958): 244–245.
[3] Thomas E. Hall and J. David Ferguson, *The Great Depression: An International Disaster of Perverse Economic Policies* (Ann Arbor: University of Michigan Press, 1998): 1, 4.

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About the Author

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Steven L. Danver earned a BA in Religious Studies from the University of California, Santa Barbara, an MA in Historical Studies from the Graduate Theological Union in Berkeley, California, and a PhD in United States History from the University of Utah. He has taught at numerous colleges and universities, including the University of Utah, Santa Barbara City College, and Pepperdine University, and is currently the core faculty and academic coordinator for social sciences in the College of Undergraduate Studies at Walden University. He has been the managing editor of *Journal of the West* since 2005 and is the editor of eight books. In addition, he has written numerous book chapters and articles and book reviews for academic journals.

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Personal History:

My interest in American History developed gradually. After growing up in Pasadena, California, with a childhood spent kicking around the state's Gold Rush country and Franciscan Missions, I studied American religious history as an undergraduate at the University of California, Santa Barbara. My interests grew first into Native American history while at the Graduate Theological Union, and finally into the history of the American West and the environment while completing my doctorate at the University of Utah. It was there I developed a wide-ranging interest in the history of the United States, but even more so the histories of its peoples and the effect of political, social, religious, and environmental factors on the ways that communities have taken shape.