

EconEdLink: Where Did All the Money Go? – Activity #1

"WHATDUNIT?" The Great Depression Mystery

One of the great mysteries of the 20th century is how the U.S. economy could have gone from a state of unprecedented prosperity in the 1920s to one of unprecedented failure in the 1930s. In the 1920s jobs were plentiful, the economy was growing, and the standard of living was rising. By the end of the 1920s, at least twice as many people owned their own homes as had at the beginning, and most of those houses were equipped with electric lights and flush toilets, once regarded as luxuries. Sixty percent of all households had cars, up from 26% in 1920. More teens were attending high school: fewer were working full time. Leading political and economic figures of the day said that the United States appeared to have reached a "permanent plateau of peace and prosperity."

But by 1933 at least one-fourth of the U.S. labor force was unemployed and about the same percentage was working shorter hours, which reduced their incomes. Families were losing their homes and many were going hungry. Adolescents who should have been in high school were riding around the country in freight cars, looking for work. Although 1933 was the low point of what came to be called the Great Depression, the unemployment rate never dropped below 14% until 1941. A decade of hope had been succeeded by a decade of hopelessness.

What happened? The United States possessed the same productive resources in the 1930s as it had in the 1920s. The great factories and the productive machinery that had raised living standards in the 1920s were still present in the 1930s. Workers still had the same skills and were willing to work just as hard as before, and farmers were producing more food than ever. How could life have become so miserable for so many Americans in such a short period of time?

A murder mystery is often called a "whodunit" because we want to know who committed the crime. The mystery of the Great Depression is a "whatdunit"—what caused the Great Depression and what made it so long? A lot of people who are neither historians or economists care about the answer because they fear that such a depression could happen again and they want to know whether such a recurrence can be prevented.