

EconEdLink: Where Did All the Money Go? – Clue Sheet #2 Answers

Labor & Employment

Visit the following web sites and answer each of the questions.

Go to Overall unemployment rate in civilian labor force, 1920-2000

(<http://www.infoplease.com/ipa/A0104719.html>)

1. What occurred in the unemployment rate between 1920 and 1934? (be specific)

There was unemployment in the years following WWI in the 5-6% range with a big jump in 1921 due to a recession. For the rest of the 20s, the rate was generally below 5% and was as low as 1.8% in 1926 and was only 3.2% the year of the stock market crash. It tripled during 1930, almost doubled the following year and was never below 20% through 1935.

2. What events might explain this trend. Refer to Clue Sheet #1. (World and US Events)

New businesses were developing around new products. Inventions for communication and entertainment began to grow more rapidly. Prices remained relatively stable through the twenties. Federal spending declined because the war was over so people paid less taxes so they had more money to spend on new goods like radios and cars. People were hired to produce these goods. Personal income increased so did consumption and savings. In 1928, many small investors began to put their savings into stocks rather than banks. Because of this trend, beginning in late 1929, many people lost their savings. The amount of money in the US decreased by \$26 billion from the stock market crash. People had to cut back drastically on their spending for new goods. The businesses which produce those goods began to lay people off. Instead of protecting jobs, the Hawley-Smoot tariff restricted trade with other nations who then placed high tariffs on their products. These actions by the governments made the depression worse all over the world. The Nazis were coming to power in Germany and Italy. Japan began to expand into Manchuria. Because of the terms of the Versailles Treaty their economies had been crippled. The unemployment rate continued to rise. Roosevelt began the New Deal. The government got stricter with the banks and the brokers with the Securities and Exchange Commission plus it began to make rules for broadcasting by establishing the Federal Communications Commission. Prices tumbled which meant businesses could not afford to keep workers who again lost jobs and income declined again. Farms and cropland (100 million acres) were destroyed by the dust storms. Because of the low prices for their products, many farmers lost their land and had to move and look for employment which was not available. Federal spending more than doubled from 1929-1935 because of new programs like the WPA, CCC, NRA and Social Security that were designed to put people back to work and to support income levels.

Go to Employment status by industry 1929 – 1998

(<http://www.infoplease.com/ipa/A0104719.html>)

1. How many persons were employed in 1929? 1932?

In 1929, there were 47.6 million employed and 1.6 million unemployed. By 1932, 38.9 million were employed and 12.1 were unemployed.

2. What happened to the number employed in farming from 1929-1932?

Farm employment dropped 300,000.

3. What happened to labor in the goods producing sector between 1929-1932?

Dropped from 13.3 million to 8.6 million.

4. Which employment category was the only one to rise from 1929-1932?

State and local government increased by 200,000.

Go to Women in the civilian labor force 1900-1998
(<http://www.infoplease.com/ipa/A0104673.html>)

1. Compare the percentage change from 1900-1940.
Women's participation increased by about 6%.
2. Which decade experienced the largest percentage increase before 1940?
Between 1930-1940 increased 2.3%.
3. What factors or events might explain that?
Women received the right to vote. They were looked at somewhat differently than before. Though jobs were scarce, there was a need for many families to have two incomes to survive.

Poverty & Income

Visit the following web sites and answer the questions.

Go to Per capita personal income (<http://www.bea.gov/bea/regional/spi/>)

1. What was per capita personal family income in 1935?
\$474
2. What happened to per capita income from 1929-1935?
1929--\$700, 1930--\$620, 1931--\$527, 1932--\$399, 1933--\$372, 1934--\$425, 1935--\$474. Decreased from 1929-1933 and then increased.
3. What was the impact on farm incomes in total dollars during this time period?
Dropped from 7,496,000,000 in 1929 to 2,802,000,000 in 1932 and began to increase slightly to 3,201,000,000 in 1933.

Go to Farm Income (<http://www.infoplease.com/ipa/A0104738.html>)

1. When did government payment to farmers begin?
1934
2. Why did they start?
Because the farmers were losing their land since they couldn't pay their loans. They couldn't pay off their loans because food prices had dropped so much plus the Dust Bowl wiped out 100,000 million acres of cropland in central US. The food supply was in jeopardy.
3. What happened to cash from crops? Livestock?
Both dropped.
4. How long did it take farmers to get back to pre-depression income levels?
Until 1940 for crops and until the war was in full swing for livestock.

Go to Retail prices of selected foods in US cities
(<http://www.infoplease.com/ipa/A0873707.html>)

1. Between 1920 and 1935, what happened to the prices of food? (be specific)
Prices of all food dropped anywhere from about 3% for milk, bread, and round steak to as high as 70% for coffee.
2. Why might this be a bad trend for the economy?
Farmers were not getting enough money to stay in business and businesses that supplied them had to lay off workers and/or close. Land was idle.

Economy & Government

Visit the following web sites and answer the questions.

Go to GDP 1930-1998 (<http://www.infoplease.com/ipa/A0104575.html>)

1. What was the increase in government spending from 1930 to 1940? (in dollars)
\$5.1 billion
2. What percentage of GDP was government spending in 1930?
10.95%
3. What would explain the increase from 1930 to 1940?
Government increased their spending to create jobs which increases household income that is then spent on goods and services which creates even more jobs.
4. How does the percentage in the decade 1930-1940 compare to the percentage of government spending GDP during the last half of the century?
Last half of the century had significant increases in government spending up to 22% of GDP in late 1980s and early 1990s.
5. What might explain that trend?
Many of those dollars were spent on the military for the Korean, Vietnam, and Cold Wars plus there was a significant increase in transfer payments like welfare, social security, anti-poverty programs, etc.

Go to Receipts and outlays of federal government, 1789-2005

(<http://www.infoplease.com/ipa/A0104753.html>)

1. What happened to the federal budget between 1920 and 1930?
Ran huge surpluses.
2. What might explain this?
WWI was over, low unemployment so people tax revenues were high.
3. What was occurring between 1930-1935? Why was this happening?
There was less revenue coming in since so many people were out of work but the government had begun spending to put people back to work.

Go to The Public Debt (<http://www.infoplease.com/ipa/A0104572.html>)

1. What was the trend from 1920-1925? 1925-1930? 1930-1935?
Declined from 1920-1930 then increased by \$12,615,582,794 from 1930-1935.
2. What events or factors caused these changes?
Need to put people to work to increase personal income This, in turn, would increase the demand for new goods and services. Businesses would need more labor so unemployment would decrease.