in September and was at 220.1 by November. During the next twelve months, the gross national product sank from nearly $88 billion down to $76 billion. The economy was slumping into a prolonged depression.

BROTHER, CAN YOU SPARE A DIME: THE GREAT DEPRESSION

Although the stock market crash represented a serious setback for the nation's economic health, the Great Depression of the 1930s that followed arose from causes more deeply rooted than just the decline in stock values of October 1929. Despite the apparent prosperity of the 1920s, the United States faced serious structural problems that combined to cause the prolonged economic downturn.

The most pervasive dilemma that the U.S. economy faced had to do with the distribution of income during the 1920s. By 1929, the 5 percent of Americans at the top income level were receiving one-third of the total annual personal income. Those who made up the lowest 40 percent of the population received about one-eighth of the available income. For an economy that depended on the purchase of consumer goods for its expansion, there were not enough people with money to buy the products that industry was turning out. The amount of spendable income that the top 1 percent of the population received rose from 12 percent in 1920 to 19 percent nine years later. That gain for the wealthy meant that there was less money for the mass of consumers to spend on the products of American factories and businesses.

Wealth was also concentrated in the hands of those with the highest incomes. More than 21 million families, or 80 percent of the national population, did not have any savings at all. The 2.3 percent of families with incomes above $10,000 a year, however, possessed two-thirds of the available savings. A consumer society had emerged, but the bulk of the consumers were unable to participate fully in the economic process. Although wealth had been more concentrated earlier in the century, the disparities of the late 1920s contributed to the onset of the Depression.

Instead of using the profits that their businesses gained from selling goods during the mid-1920s to invest in new factories or a better-paid work force, industry leaders had put their gains into the stock market or speculative ventures. Loans to New York stockbrokers, for example, went from $3.5 billion in July 1927 to $8.5 billion in September 1929. By 1927, the market for new cars and new houses began to weaken, indicating falling demand for consumer goods.

Another chronic weakness of the economy was in agriculture, a sector that never shared in the general prosperity of the 1920s. The problem of overproduction of farm goods had not been addressed, and as prices fell at the beginning of the Depression, farmers felt the effects. At the beginning of 1931, cotton stood at nine to ten cents per pound; when farmers brought in their crop in the fall, the price had skidded to under six cents a pound. When farmers could not pay off their mortgages, rural banks soon failed. The ripple of banking failures strained a banking system that the stock market crash had weakened. In the countryside, crops rotted because they could not be sold, and farmers talked of strikes and other protests.

The world economy was also fragile. The settlement of World War I had imposed heavy reparation payments on the defeated Germans. Because the Germans could not pay these sums, they borrowed from investors and banks in the United States.

1929
Top 5% - 1/3 Nat incom
lowest 40% - 1/8 Nat incom
shift
Top 1% of pop.
-1920-12%
-1929-19%
Families
-80% - No saving
-2.3% - 2/3 of all saving
Business
- Not invest in Biz
- But in stock market OK
Signs By 1927
FARMS
- over product
- 1931 start 9-10¢ a pound
- 1931 harvest less than 6¢ a pound
Rural Bank
Reparations

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1927 restructuring
1929 more "