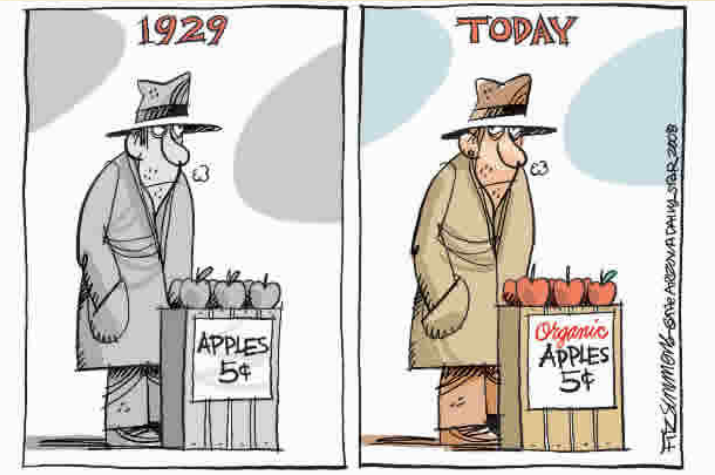
Spring 2014

A Tale of Two Depressions

David F. Ruccio & Ben Giamo



World: Then and Now

Figure 1. World industrial production, now vs then

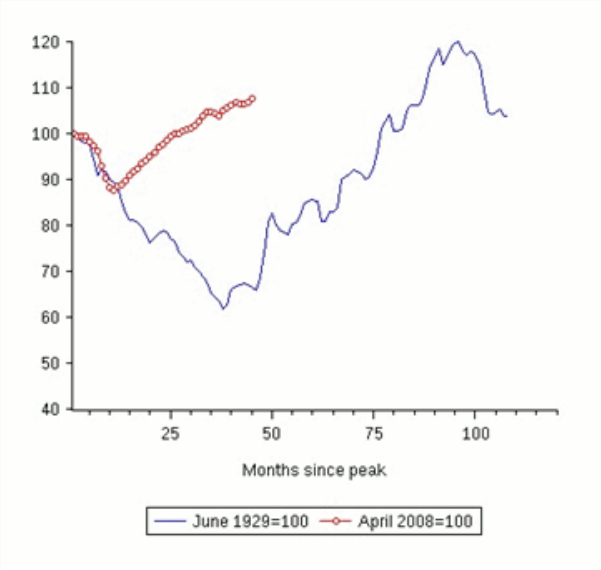


Figure 2. Volume of world trade, now vs then

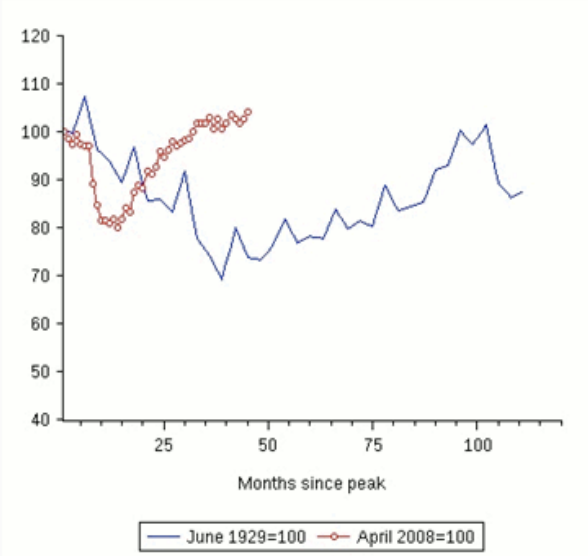
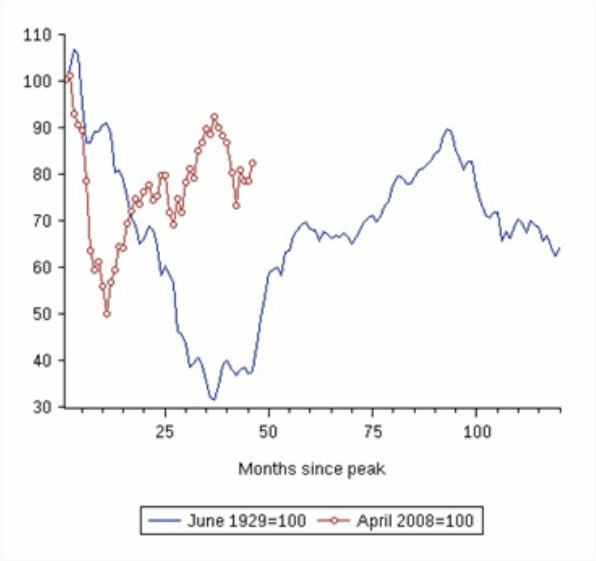
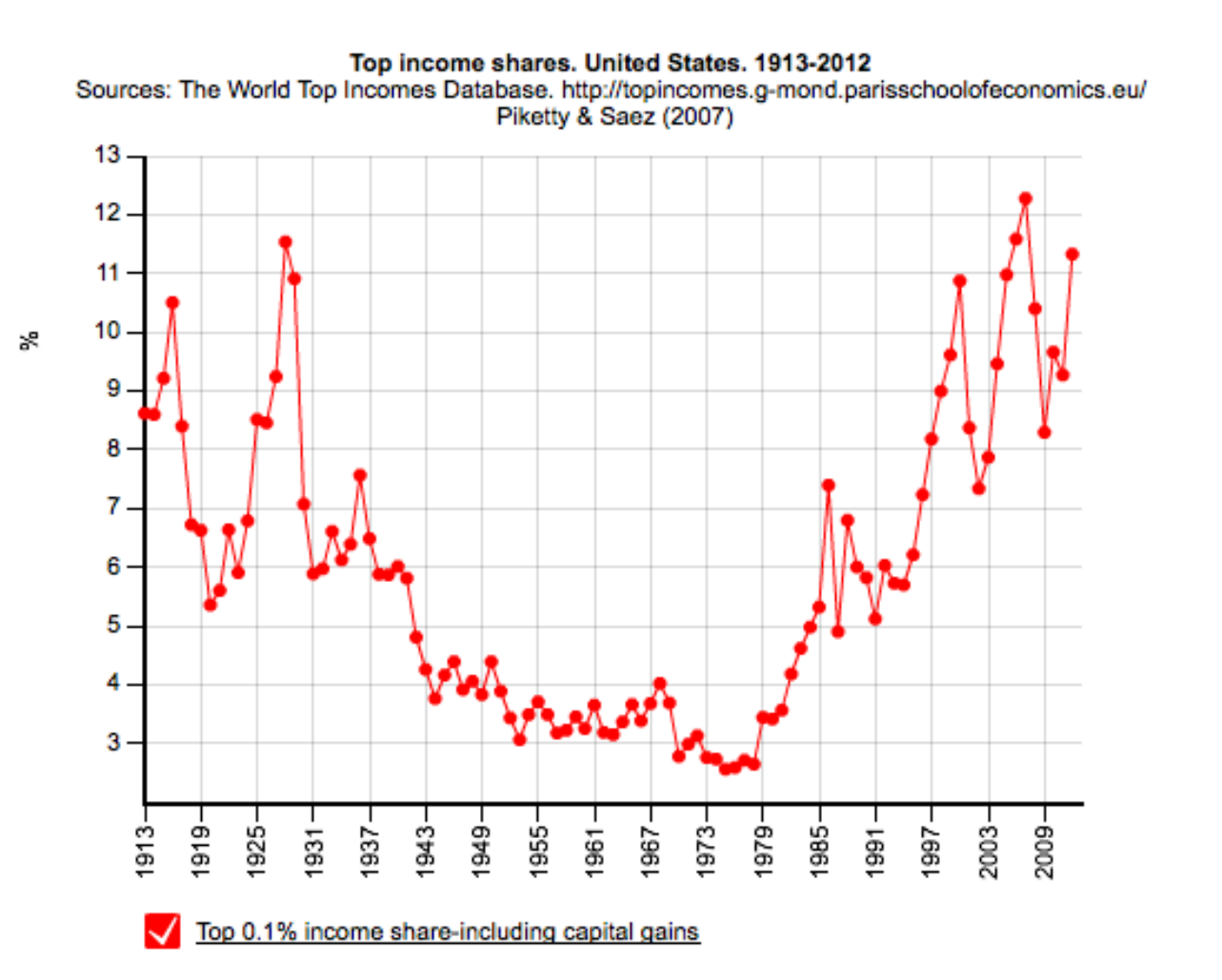
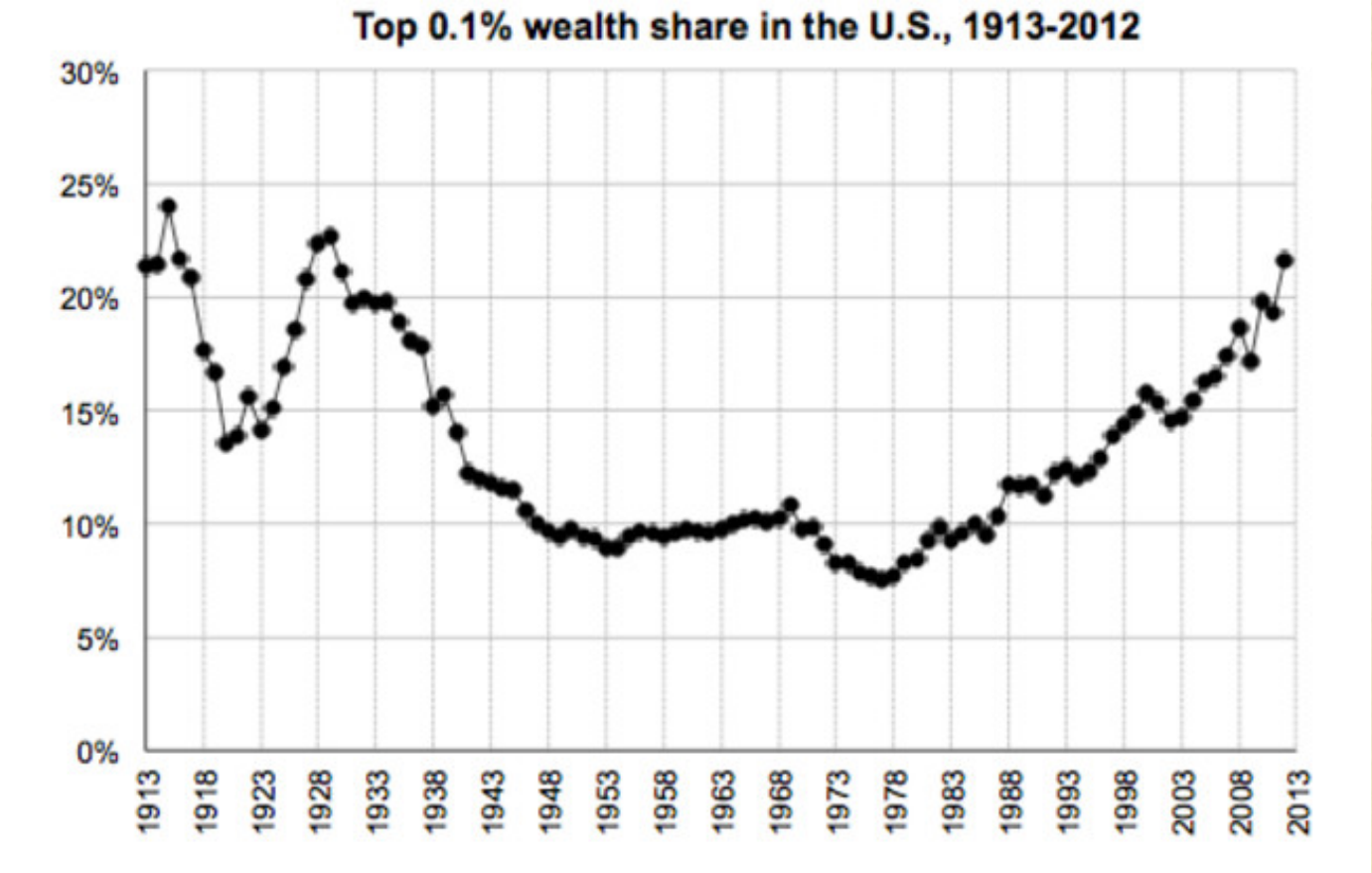


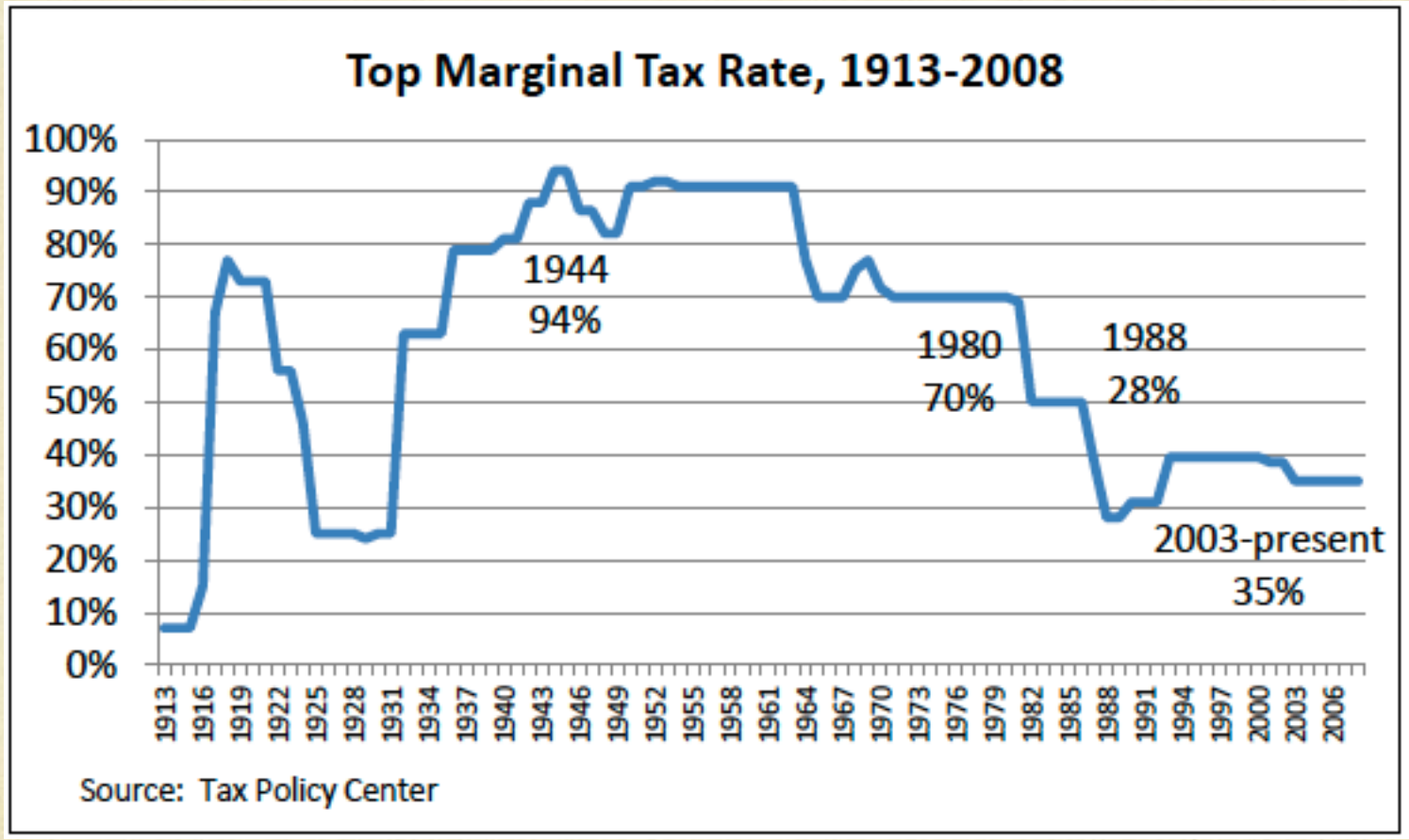
Figure 3. World equity markets, now vs then

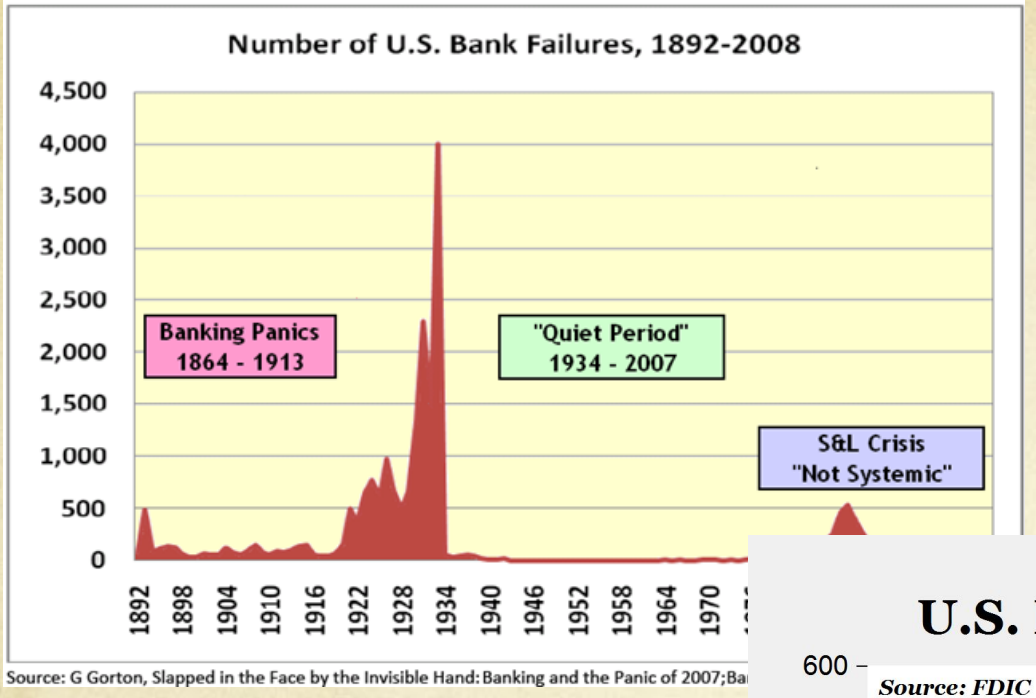


United States: Then and Now

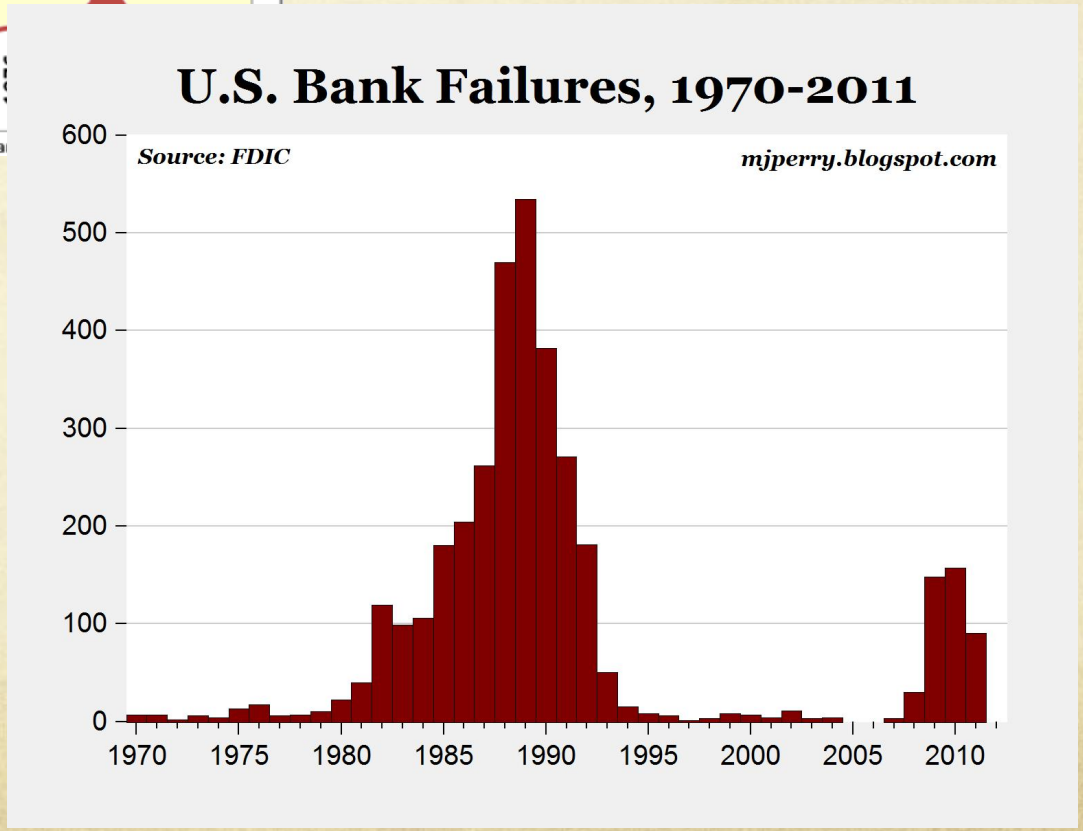



Top 0.1% wealth share in the U.S., 1913-2012
30%
25%
20%
15%
10%
5%
0%
1913
1918
1923
1928
1933
1938
1943
1948
1953
1958
1963
1968
1973
1978
1983
1988
1993
1998
2003
2008
2013


Top Marginal Tax Rate, 1913-2008
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1913
1916
1919
1922
1925
1928
1931
1934
1937
1940
1943
1946
1949
1952
1955
1958
1961
1964
1967
1970
1973
1976
1979
1982
1985
1988
1991
1994
1997
2000
2003
2006
1944
94%
1980
70%
1988
28%
2003-present
35%
Source: Tax Policy Center



Source: G Gorton, Slapped in the Face by the Invisible Hand: Banking and the Panic of 2007; Ba



First Great Depression

BROOKLYN DAILY EAGLE

And Complete Long Island News

LATE NEWS

89th YEAR—No. 295. ★ NEW YORK CITY, THURSDAY, OCTOBER 24, 1929. ★ 32 PAGES THREE CENTS

WALL ST. IN PANIC AS STOCKS CRASH

Attempt Made to Kill Italy's Crown Prince

ASSASSIN CAUGHT IN BRUSSELS MOB; PRINCE UNHURT

Royal Suitor Was About to Lay Wreath on Unknown Soldiers' Tomb.

Princess, Deeply Moved, Falls Into Fiance's Arms and Kisses Him

Hollywood Fire Destroys Films Worth Millions

ATTEMPT MADE ON LIFE

Consolidated Studios Are Swept by Flames Fatal to One—Master Pictures Burned Include Many New Talkie Productions

FEAR 52 PERISHED IN LAKE MICHIGAN; FERRY IS MISSING

Wreckage Picked Up Indicates Craft Went Down With All Aboard.

PIECE OF PLANE LIKE DITEMAN'S IS FOUND AT SEA

Black and Orange Wreckage Indicates Daring Flier Went to Death.

High Duty Group Gave $700,000 to Coolidge Drive

Grundy Agrees Rates Went Up Due to His Activities as Propagandist. Favors More Lobbying to 'Carry Out Voters' Wish.'

By HENRY SUTHAM.

FOR MORE LOBBYISTS

JOSEPH R. GRUNDY

STOCKS CRASH IN RUSH TO SELL; BILLIONS LOST

Morgan, Mitchell Buying Stocks in Effort to Check Rush to Unload

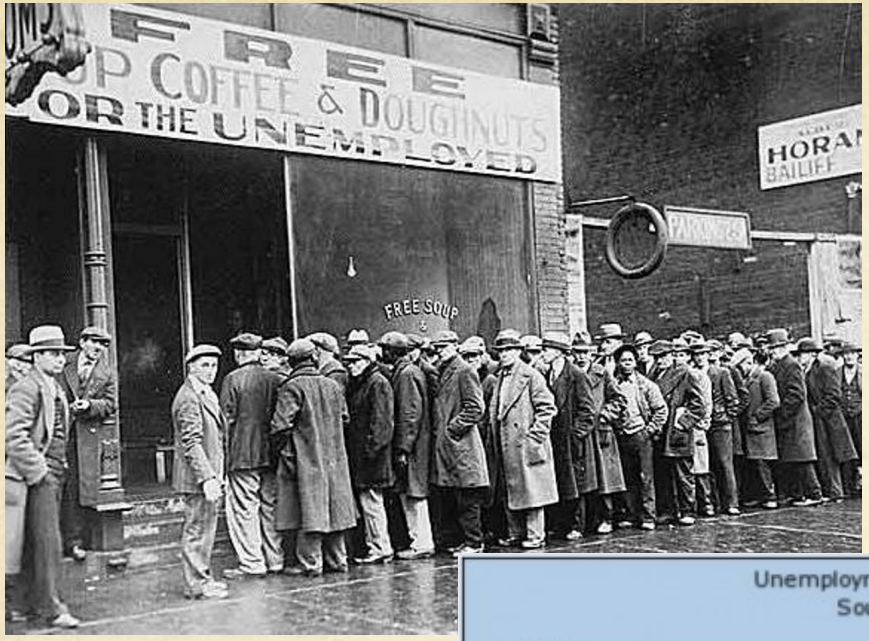
CARNEGIE CHARGE OF PAID ATHLETES ROUSES COLLEGES

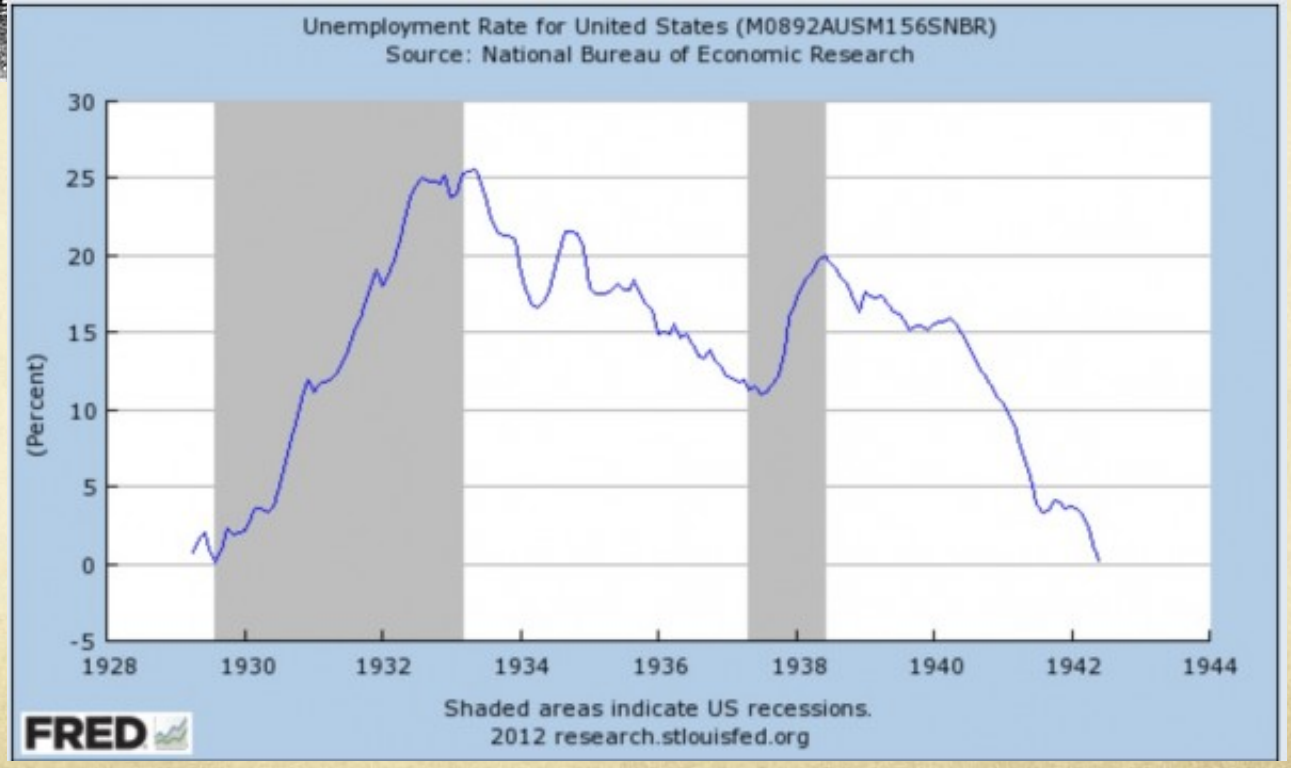
HOOVER'S TRAIN HALTED BY AUTO PLACED ON RAILS

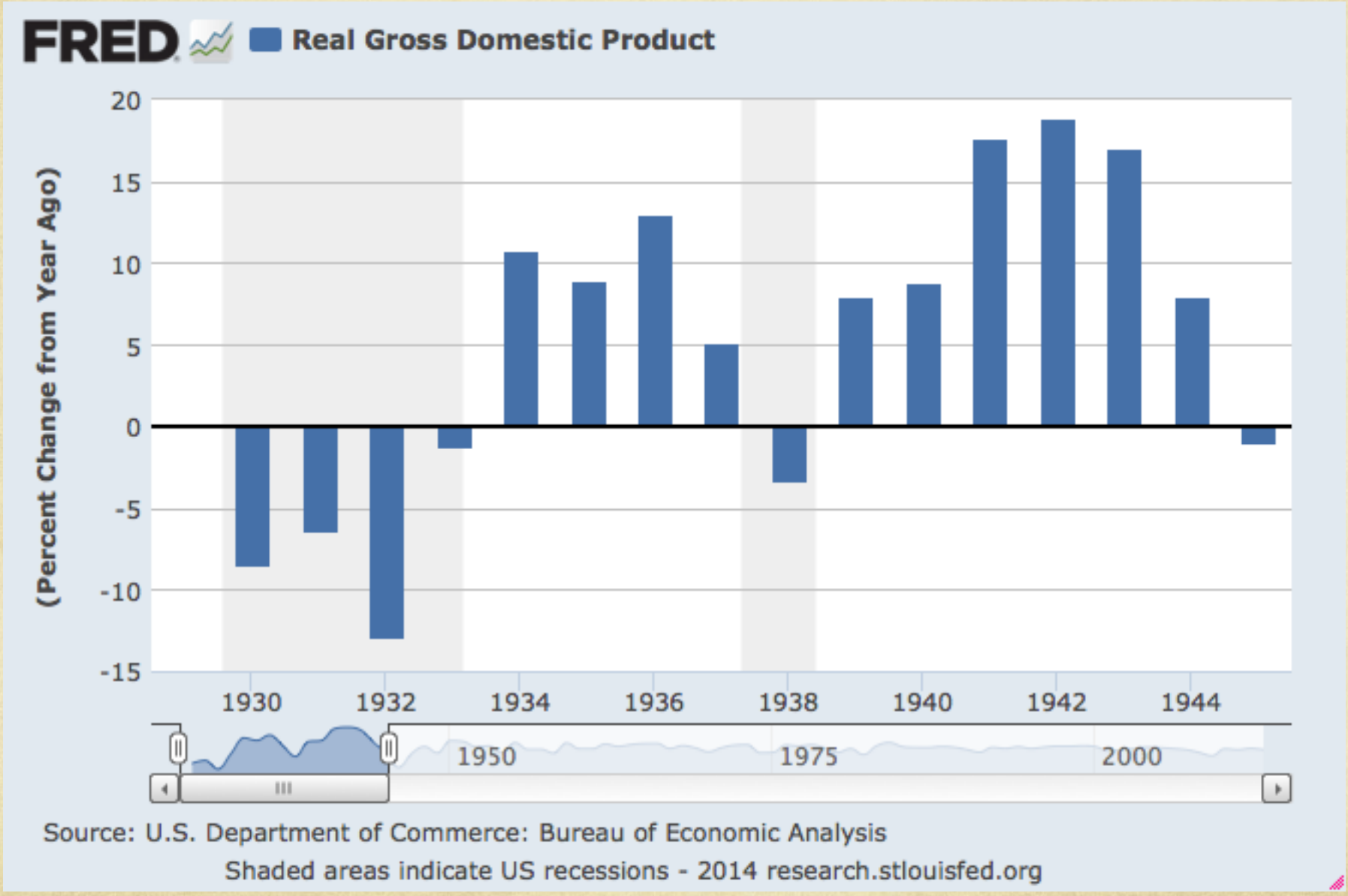
WARDER SOUGHT TO KEEP SEA TRIP

SOMERS NAMED AS HEAD OF NEW

Dow Jones Industrial Average : 1925 - 1955
400
350
300
250
200
150
100
50
0
Jan-25
Jan-27
Jan-29
Jan-31
Jan-33
Jan-35
Jan-37
Jan-39
Jan-41
Jan-43
Jan-45
Jan-47
Jan-49
Jan-51
Jan-53
Jan-55


FREE
COFFEE & DOUGHNUTS
OR THE UNEMPLOYED
FREE SOUP
BAILIFF


Unemployment Rate for United States (M0892AUSM156SNBR)
Source: National Bureau of Economic Research
30
25
20
15
10
5
0
-5
(Percent)
1928
1930
1932
1934
1936
1938
1940
1942
1944
Shaded areas indicate US recessions.
2012 research.stlouisfed.org
FRED


FRED
Real Gross Domestic Product
(Percent Change from Year Ago)
20
15
10
5
0
-5
-10
-15
1930
1932
1934
1936
1938
1940
1942
1944
1950
1975
2000
Source: U.S. Department of Commerce: Bureau of Economic Analysis
Shaded areas indicate US recessions - 2014 research.stlouisfed.org

Second Great Depression

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THE WALL STREET JOURNAL.

AIG, Lehman Shock Hits World Markets

Focus Moves to Fate of Giant Insurer After U.S. Allows Investment Bank to Fail; Barclays in Talks to Buy Core Lehman Unit

AIG Faces Cash Crisis As Stock Dives 61%

What's News—

Old-School Banks Emerge Atop New World of Finance

DAILY NEWS

2.5 MILLION READERS EVERY DAY

NYDailyNews.com

SHOCK MARKET

CRISIS ON WALL STREET

- Dow plunges 504 points
- Insurance giant teeters on brink
- Fear as traders await opening bell

FULL COVERAGE ON PAGES 2-6 & BUSINESS

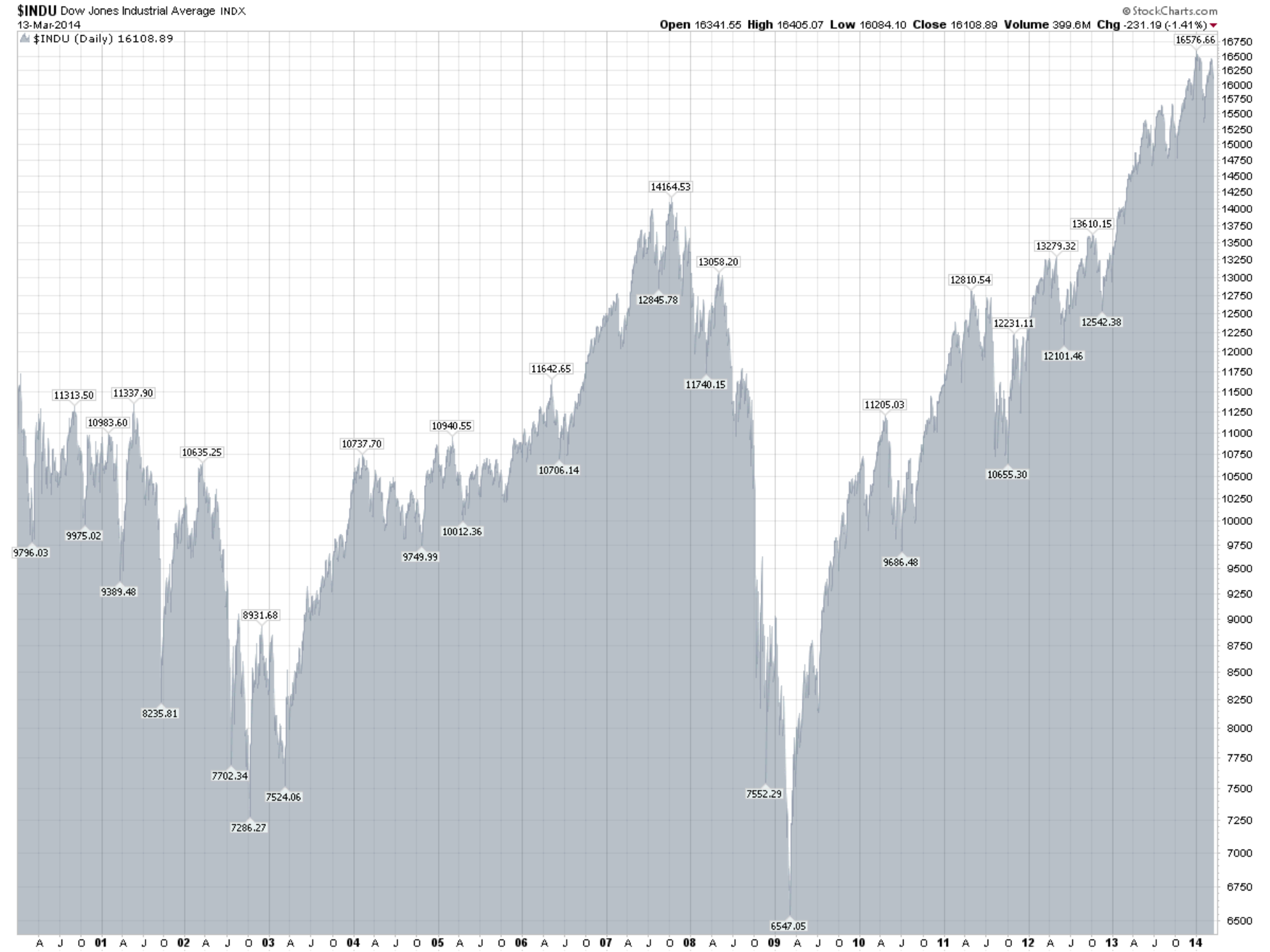
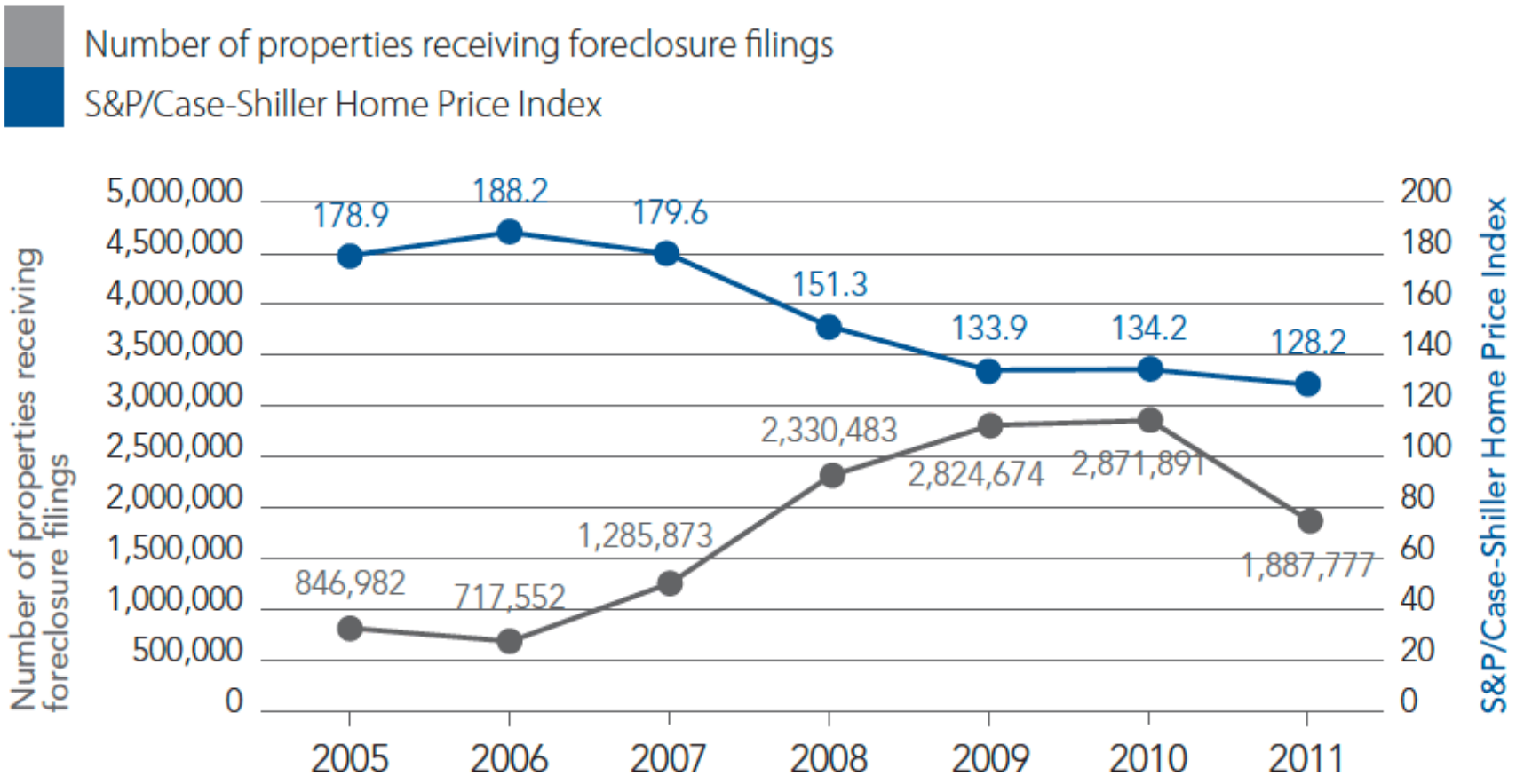
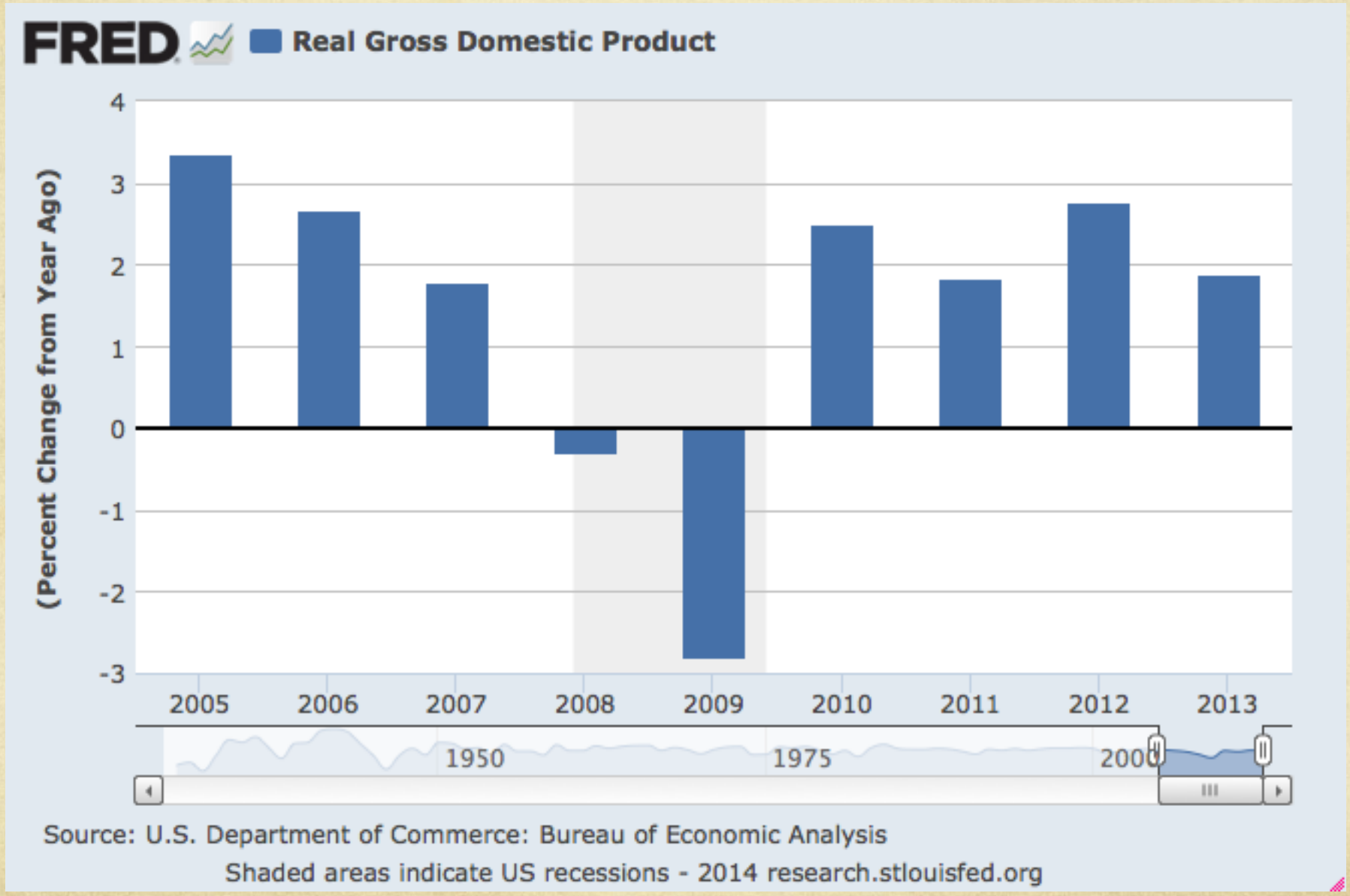

$INDU Dow Jones Industrial Average INDX
13-Mar-2014
©StockCharts.com
Open 16341.55 High 16405.07 Low 16084.10 Close 16108.89 Volume 399.6M Chg -231.19 (-1.41%)
$INDU (Daily) 16108.89
16576.66
14164.53
13610.15
13279.32
13058.20
12845.78
12810.54
12542.38
12231.11
12101.46
11740.15
11642.65
11337.90
11313.50
11205.03
10983.60
10940.55
10737.70
10706.14
10655.30
10635.25
10012.36
9975.02
9796.03
9749.99
9686.48
9389.48
8931.68
8235.81
7702.34
7552.29
7524.06
7286.27
6547.05
A J O 01 A J O 02 A J O 03 A J O 04 A J O 05 A J O 06 A J O 07 A J O 08 A J O 09 A J O 10 A J O 11 A J O 12 A J O 13 A J O 14

Figure 1

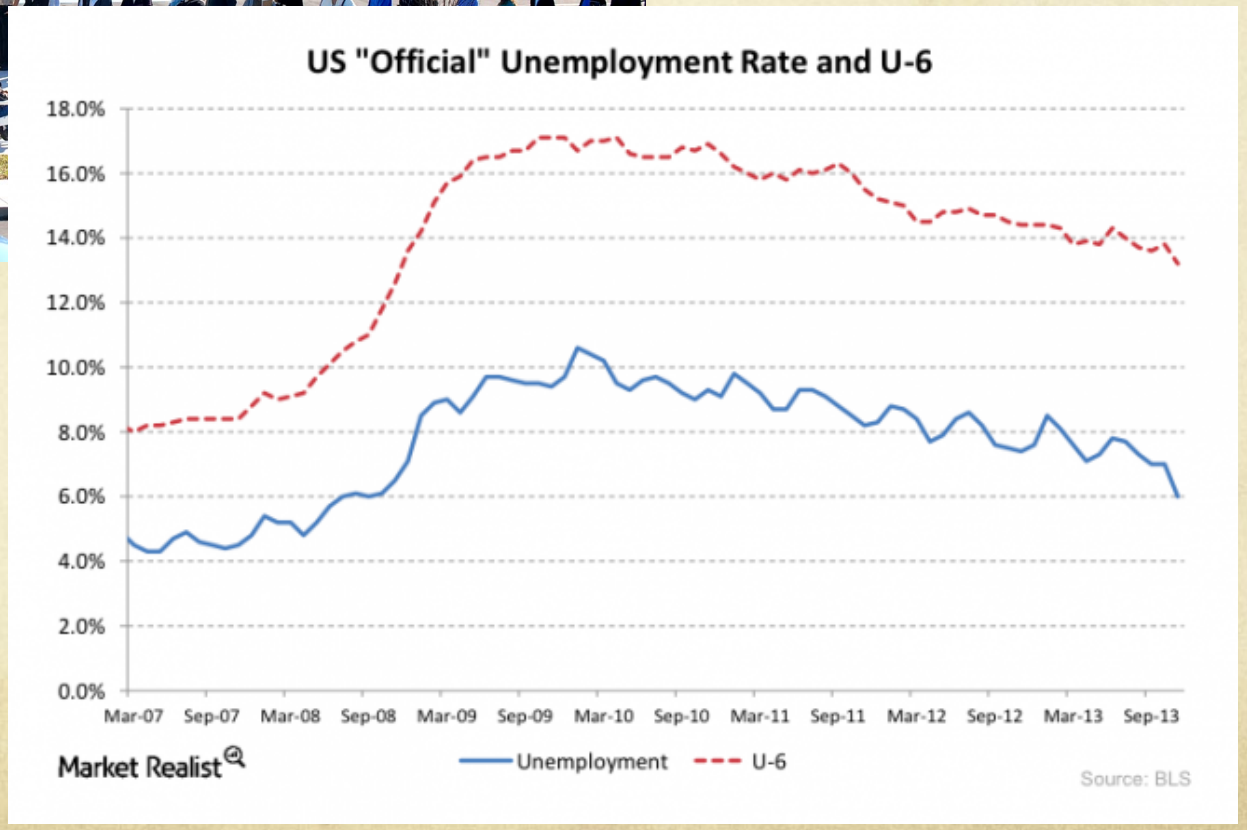
NUMBER OF FORECLOSURES AND THE S&P/CASE-SHILLER HOME PRICE INDEX IN THE UNITED STATES

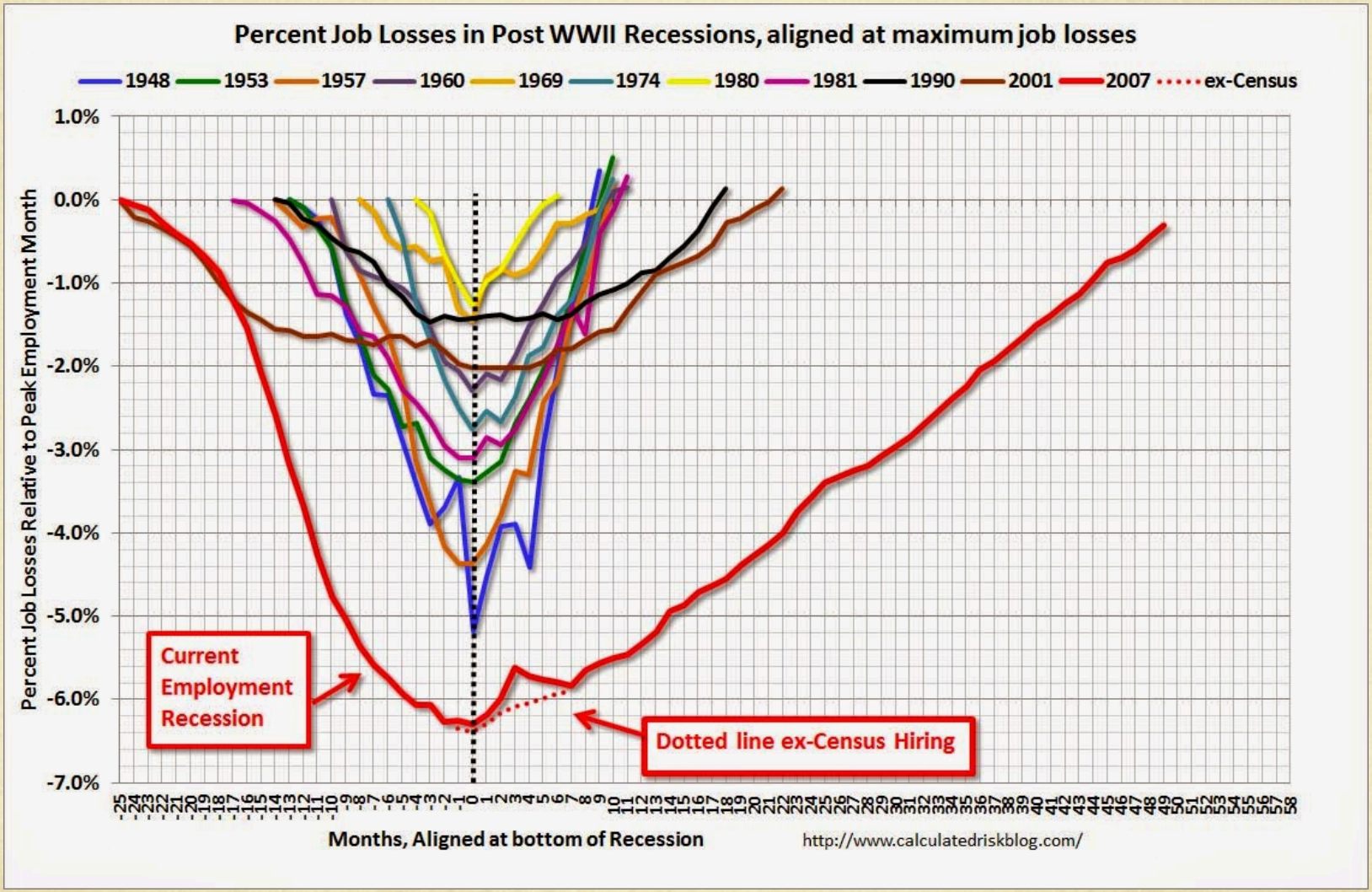
(by year)

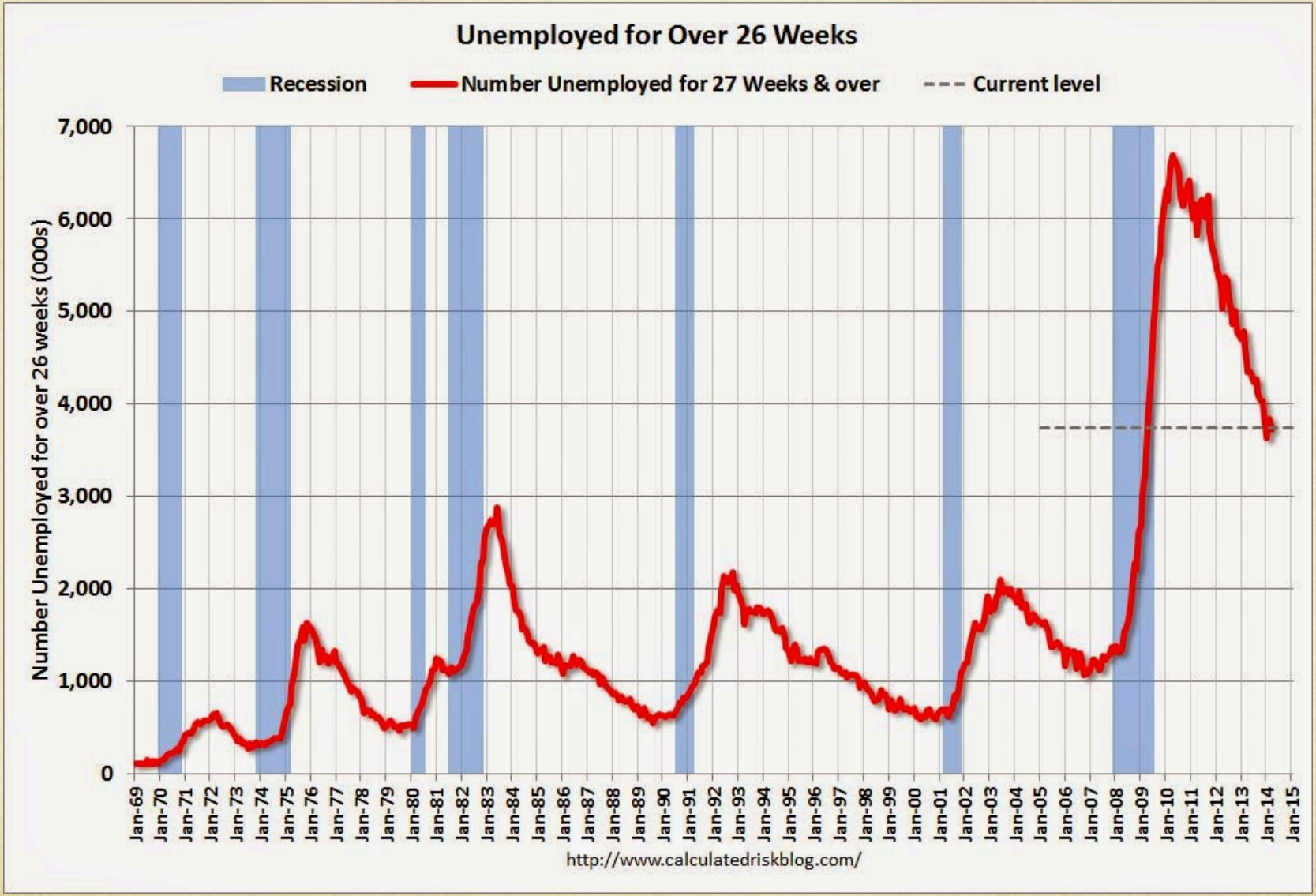


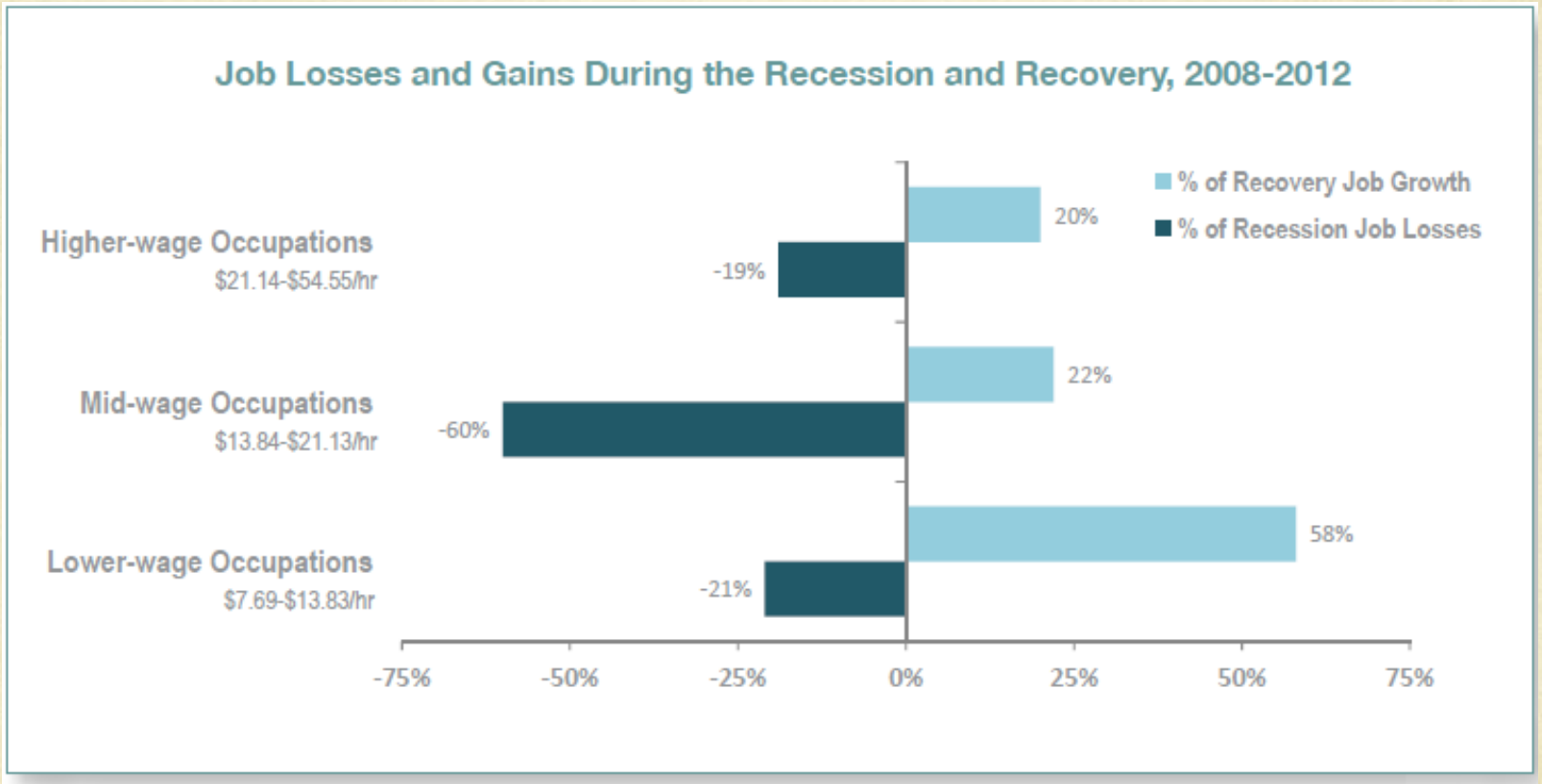

FRED
Real Gross Domestic Product
(Percent Change from Year Ago)
4
3
2
1
0
-1
-2
-3
2005
2006
2007
2008
2009
2010
2011
2012
2013
1950
1975
Source: U.S. Department of Commerce: Bureau of Economic Analysis
Shaded areas indicate US recessions - 2014 research.stlouisfed.org

LIVE MAINE
LOBSTER

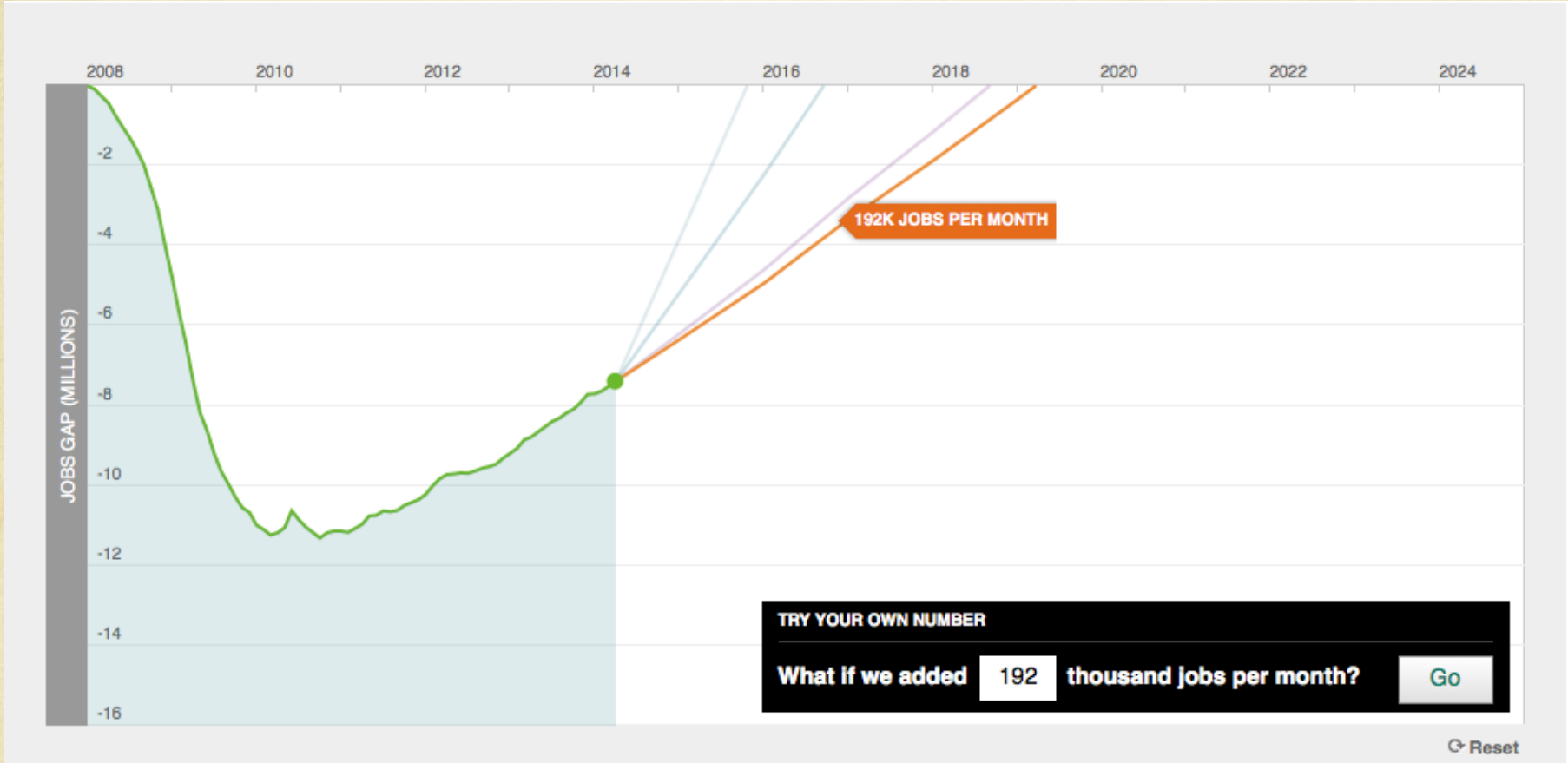

US "Official" Unemployment Rate and U-6
18.0%
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
Mar-07
Sep-07
Mar-08
Sep-08
Mar-09
Sep-09
Mar-10
Sep-10
Mar-11
Sep-11
Mar-12
Sep-12
Mar-13
Sep-13
Market Realist
Unemployment
U-6
Source: BLS


Percent Job Losses in Post WWII Recessions, aligned at maximum job losses
1948
1953
1957
1960
1969
1974
1980
1981
1990
2001
2007
ex-Census
Percent Job Losses Relative to Peak Employment Month
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
-6.0%
-7.0%
Current Employment Recession
Dotted line ex-Census Hiring
Months, Aligned at bottom of Recession
http://www.calculatedriskblog.com/


Unemployed for Over 26 Weeks
Recession
Number Unemployed for 27 Weeks & over
Current level
Number Unemployed for over 26 weeks (000s)
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
Jan-69
Jan-70
Jan-71
Jan-72
Jan-73
Jan-74
Jan-75
Jan-76
Jan-77
Jan-78
Jan-79
Jan-80
Jan-81
Jan-82
Jan-83
Jan-84
Jan-85
Jan-86
Jan-87
Jan-88
Jan-89
Jan-90
Jan-91
Jan-92
Jan-93
Jan-94
Jan-95
Jan-96
Jan-97
Jan-98
Jan-99
Jan-00
Jan-01
Jan-02
Jan-03
Jan-04
Jan-05
Jan-06
Jan-07
Jan-08
Jan-09
Jan-10
Jan-11
Jan-12
Jan-13
Jan-14
Jan-15
http://www.calculatedriskblog.com/



Source: National Employment Law Project


2008
2010
2012
2014
2016
2018
2020
2022
2024
JOBS GAP (MILLIONS)
-2
-4
-6
-8
-10
-12
-14
-16
192K JOBS PER MONTH
TRY YOUR OWN NUMBER
What if we added
192
thousand jobs per month?
Go
Reset

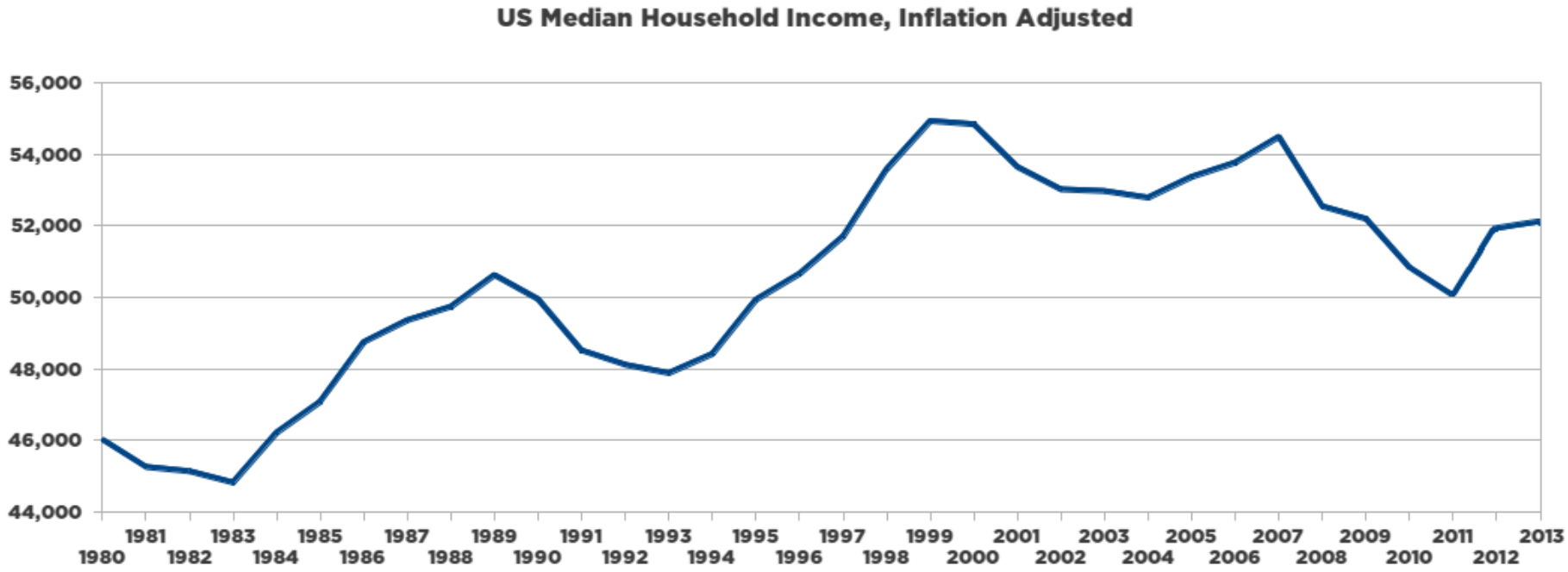
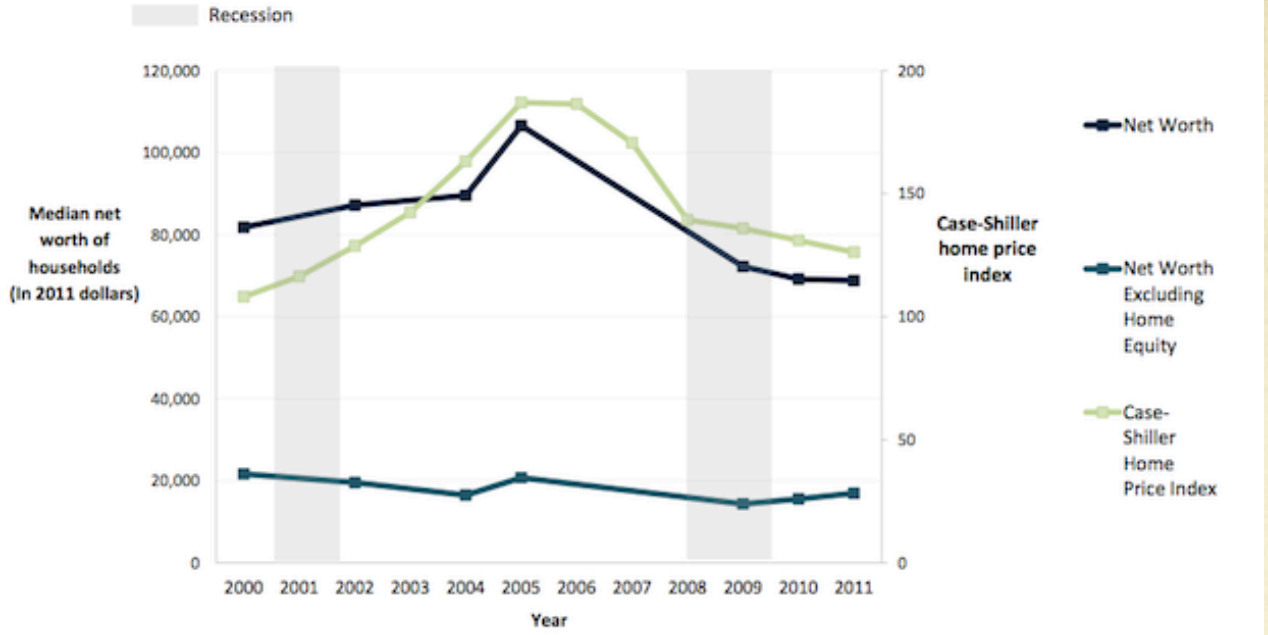

US Median Household Income, Inflation Adjusted
56,000
54,000
52,000
50,000
48,000
46,000
44,000
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013

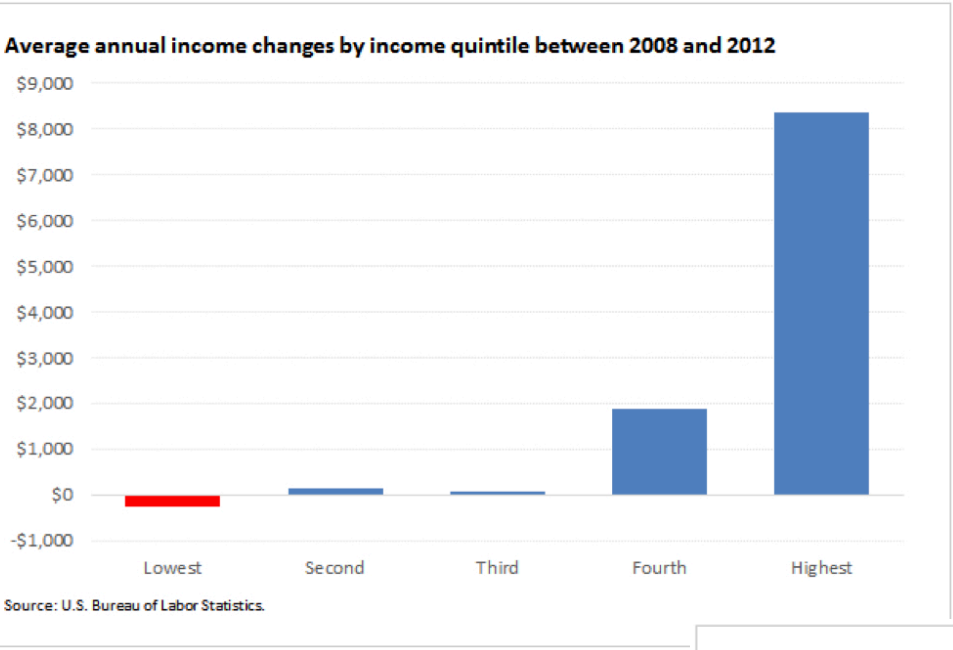
Figure 1. Median Net Worth of Households: 2000 to 2011

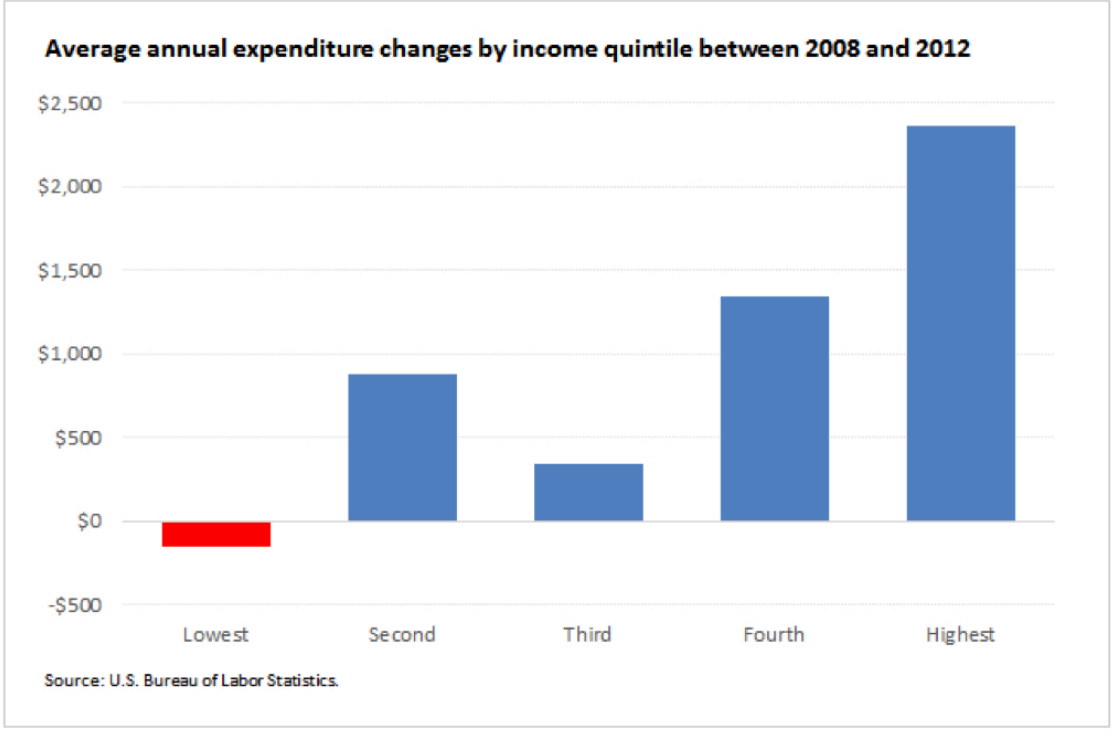


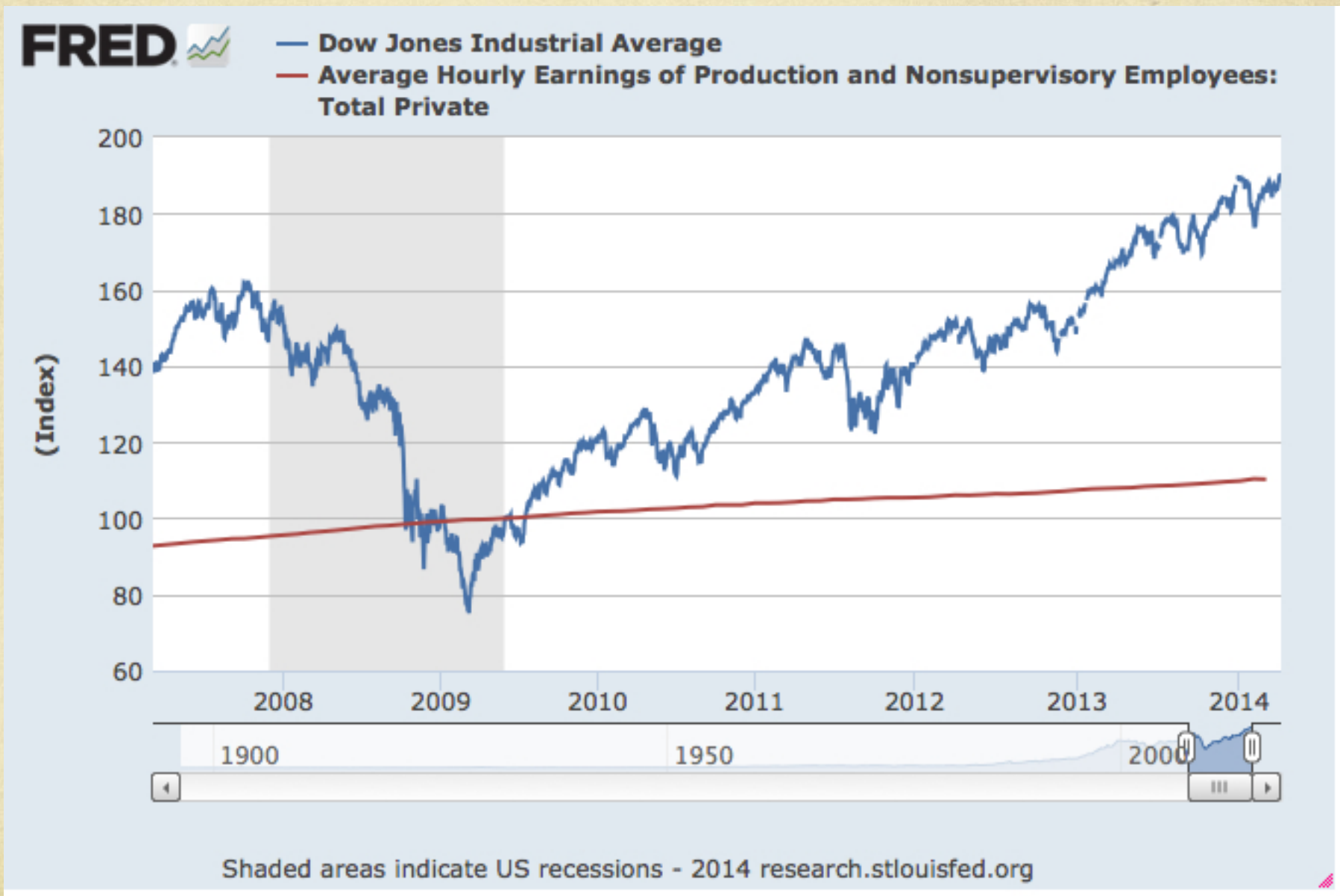
Household Net Worth (Billions) By Wealth Percentile

	2007		2010		2013 (e)		Δ 07-13
Top 1%	21,915	*34.2%*	19,629	*35.6%*	22,340	*35.2%*	+1.9%
Next 9%	23,908	*37.3%*	21,451	*38.9%*	24,730	*39.0%*	+3.4%
Next 15%	10,135	*15.8%*	8,780	*15.9%*	10,084	*15.9%*	-0.5%
Next 25%	6,526	*10.2%*	4,675	*8.5%*	5,436	*8.6%*	-16.7%
Bottom 50%	1,590	*2.5%*	553	*1.0%*	887	*1.4%*	-44.2%
Total	**64,075**		**55,088**		**63,477**		**-0.9%**

Source: Larry Lindsey, The Lindsey Group, Federal Reserve's *Survey of Consumer Finance and Flow of Funds*


Average annual income changes by income quintile between 2008 and 2012
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
-$1,000
Lowest
Second
Third
Fourth
Highest
Source: U.S. Bureau of Labor Statistics.


Average annual expenditure changes by income quintile between 2008 and 2012
$2,500
$2,000
$1,500
$1,000
$500
$0
-$500
Lowest
Second
Third
Fourth
Highest
Source: U.S. Bureau of Labor Statistics.


FRED
Dow Jones Industrial Average
Average Hourly Earnings of Production and Nonsupervisory Employees: Total Private
(Index)
200
180
160
140
120
100
80
60
2008
2009
2010
2011
2012
2013
2014
1900
1950
2000
Shaded areas indicate US recessions - 2014 research.stlouisfed.org

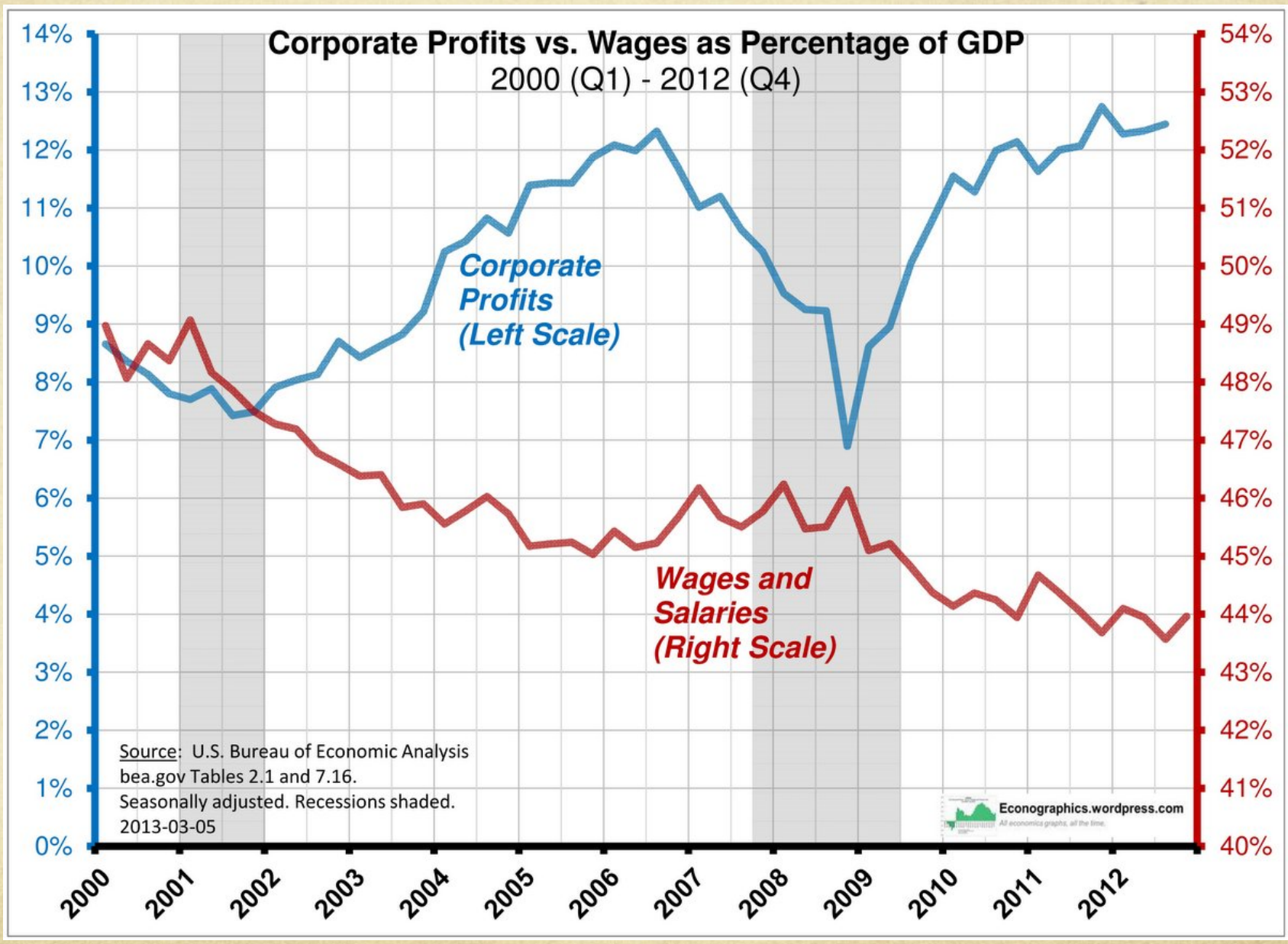
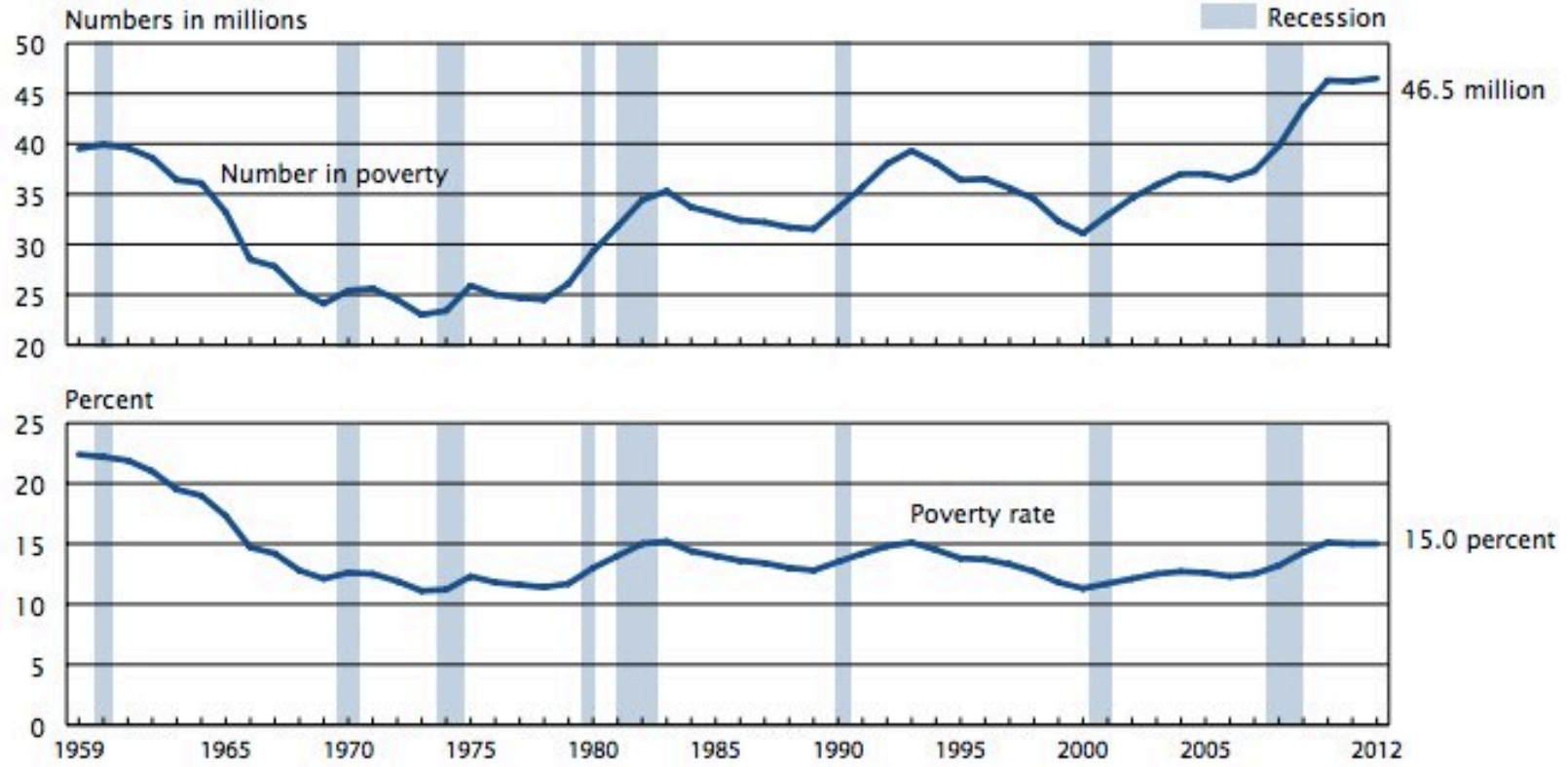
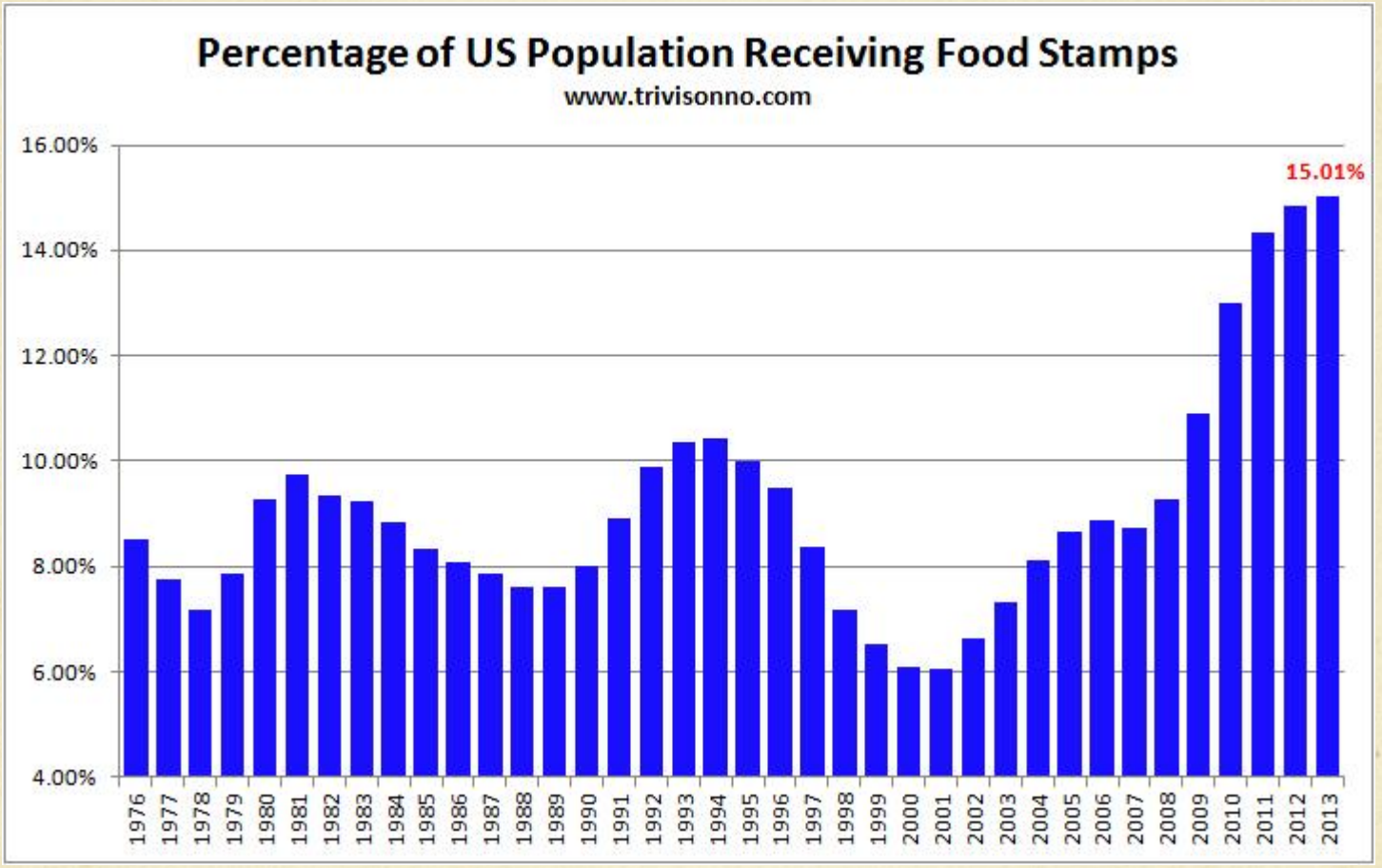

Corporate Profits vs. Wages as Percentage of GDP
2000 (Q1) - 2012 (Q4)
Corporate Profits (Left Scale)
Wages and Salaries (Right Scale)
Source: U.S. Bureau of Economic Analysis
bea.gov Tables 2.1 and 7.16.
Seasonally adjusted. Recessions shaded.
2013-03-05
Econographics.wordpress.com
All economics graphs, all the time.
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
54%
53%
52%
51%
50%
49%
48%
47%
46%
45%
44%
43%
42%
41%
40%
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012

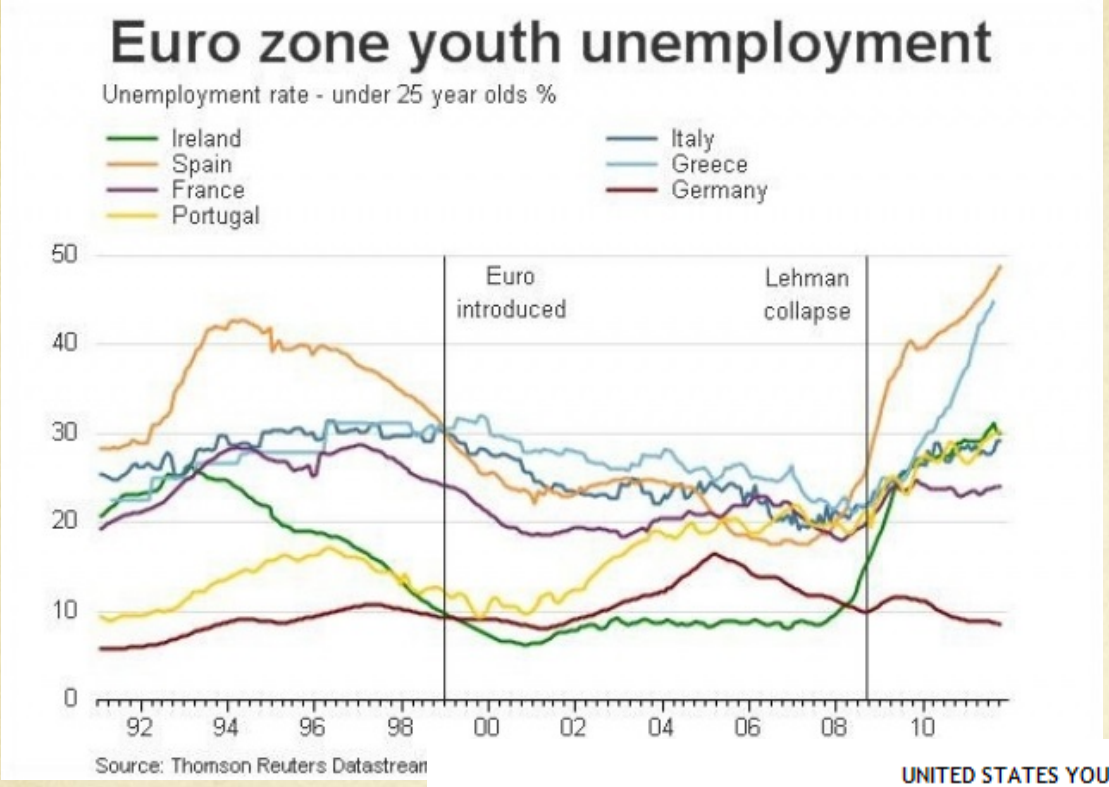
Figure 4.

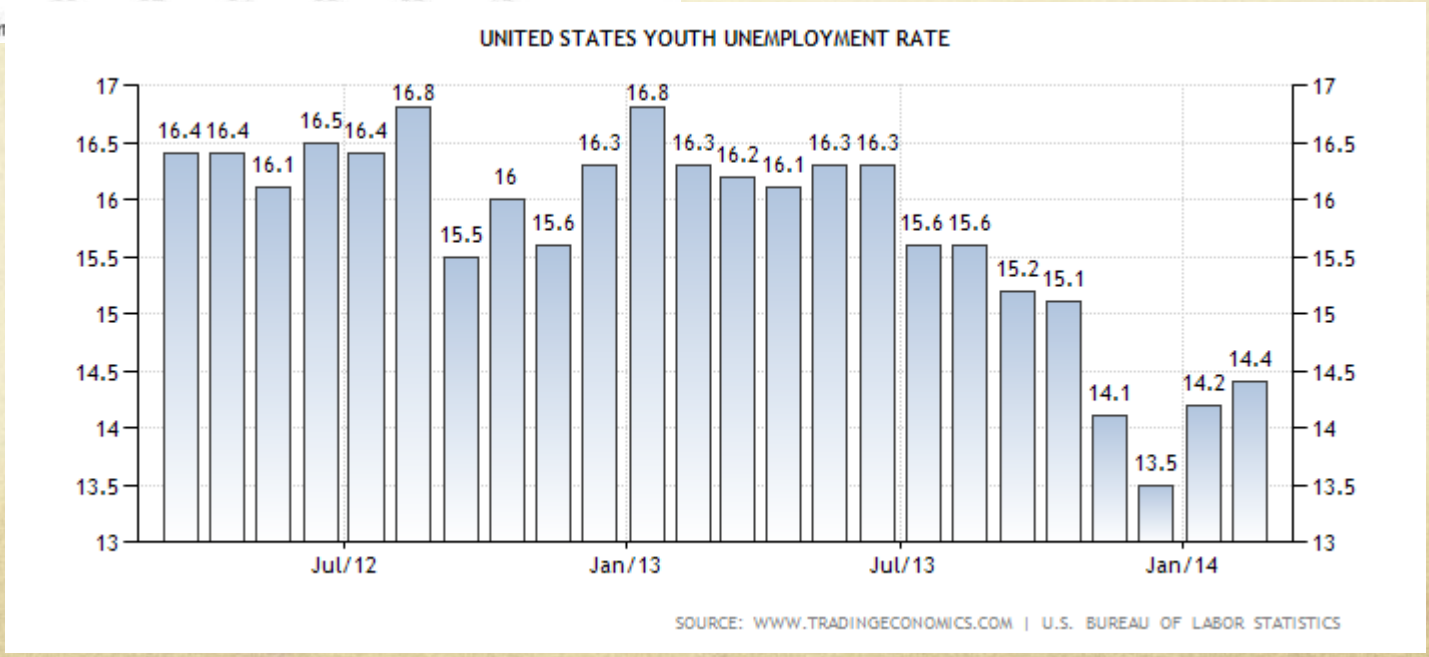
Number in Poverty and Poverty Rate: 1959 to 2012



Note: The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A.
Source: U.S. Census Bureau, Current Population Survey, 1960 to 2013 Annual Social and Economic Supplements.


Percentage of US Population Receiving Food Stamps
www.trivisonno.com
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
15.01%
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013


Euro zone youth unemployment
Unemployment rate - under 25 year olds %
Ireland
Spain
France
Portugal
Italy
Greece
Germany
Euro introduced
Lehman collapse
50
40
30
20
10
0
92
94
96
98
00
02
04
06
08
10
Source: Thomson Reuters Datastrean


UNITED STATES YOUTH UNEMPLOYMENT RATE
17
16.5
16
15.5
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14.5
14
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16.4 16.4 16.1 16.5 16.4 16.8 15.5 16 15.6 16.3 16.8 16.3 16.2 16.1 16.3 16.3 15.6 15.6 15.2 15.1 14.1 13.5 14.2 14.4
Jul/12
Jan/13
Jul/13
Jan/14
SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF LABOR STATISTICS

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