

THE GREAT DEPRESSION

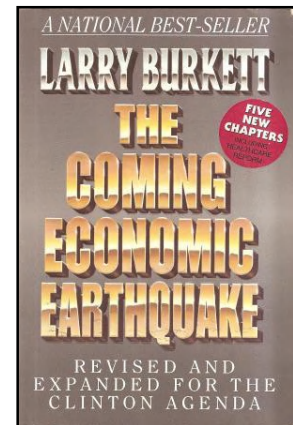
THE COMING ECONOMIC EARTHQUAKE by Larry Burkett (1994)

A NATIONAL BEST-SELLER

Much has been mentioned lately about The Great Depression. The “housing bubble” and the other names of the latest recession has been the cause for describing and rehashing the history that created and prolonged the period of depression in beginning in the 1930's.

I have met older folks who remember vividly the days of The Depression; who lived through a period unimaginably by today's lifestyle. The influence and effect of living through the period those folks with a strong sense of worth, the practice of hiding money away, and a personal constitution indicative of the depth of loss and deprivation.

Endless volumes have probably being written about this economic dark time; but probably far fewer about the personal outcome of the many who suffered through it. My earliest recollection of such a book was *The Grapes of Wrath* that tracked a family across the west to the promise of jobs and sharecropping in California. Living in shanties and temporary quarters along the way, the family was hard pressed on every side. What they wore and what they carried on their truck was it; yes, it was all that was left after the loss of the property.



Back to the book at hand, I find some introduction into the cause or causes for The Depression. Overproduction, regulation of imports and commerce, and high-interest rates and inflated stock prices are mentioned in one way or another. To encourage lending, the banks had eased load requirements; and with increased lending came increased delinquency or default. The losses of the crash of the market were relatively minor to the losses of the greater masses as Larry describes:

But as alarming as this was (the crash), it paled when compared to the misery the average American worker and his family suffered over the succeeding decade.

As the wake of the crash expanded, the outcome was:

- The banks losing the unbelievable sum of \$40 billion in equity, taking with it hundreds of banks and millions of jobs.
- By 1932...more than 5000 banks had closed their doors leaving millions of depositors with nothing to show for their thrift.
- National income plummeted from \$80 billion to \$40 billion

The promise of prosperity built on debt had tempted normally conservative Americans to risk all they owned. They lost...

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As a postscript, Larry concludes:

In 1928 there was not venture too harebrained for a banker to fund, if the interest rate was high enough. By 1930 there was no legitimate venture, no matter what its merit, that could find an interested banker. Speculators who had withdrawn their assets from the market before the collapse, used their hard currency to buy land, businesses, and the lifetime efforts of others for a fraction of their actual worth.

This was not the first depression; several economic depressions had occurred in 1837 (Van Buren as president), 1893 and “panics in 1904, 1907 and 1921. These events and periods lasted from two to four years – with limited government intervention or artificial stimulation of the economy. Indeed, Van Buren (1837) and Hoover (early Depression of 1930) were by and large willing to all the markets to self correct or adjust over time.

Hoover’s decision or policies did not bode well for the ailing economy but his democratic rival’s ideas did.... Franklin Roosevelt (FDR) was a student of Dr. John Keynes of England (also known as Keynesian Economics). Keynes believed that increased government spending and heavy regulation of banking could preempt the possibility of depression. Larry Burkett writes:

The Depression set the stage for the federal government to dominate American business, banking, commerce and the economy as a whole.

Though some aspects of Keynesian economics had been tried before, most notably by Karl Marx, a sizable system like America was yet untested. Larry continues:

...But, with America in a depression, it was about to be implemented wholeheartedly. That now suited the bankers and industrialists perfectly because they had desperately needed an infusion of capital to hold on to what they had siphoned out of the general public.

The New Deal would forever change the average American’s view of the role of their central government.

Though FDR was considered by many to be the savior, the new concept of government that resulted would – by Larry’s description – would have unconstitutional prior (to the New Deal). Under the Constitution, the central government was given power to settle disputes between states, organize an army for defense of the nation, regulate interstate commerce, and negotiate foreign treaties. In the general description of central power was the means to charge a tax or tariff for interstate commerce only! What has occurred is much beyond this single form or degree of taxation....

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Larry describes the growth of government power and control consequent to the Depression:

The Depression set the stage for the federal government to dominate American business, banking, commerce, and the economy as a whole. FDR raised the status of the federal government to that of the “great provider”.

He continues with the potential consequence: “...it also set the stage for an **eventual economic disaster unparalleled in American history.**”

The sense of calamity is not singularly due to the politic of government; again, Larry’s beliefs offer the unique or rare opportunity to observe the Christian view too. He admits that ours is not the first nation to travel this road but does cite the “unique commitment to God’s divine authority” that must be considered in light of past prosperity. In this once-commitment, he offers: “**We are traveling a path that is almost contrary to that original commitment.**”