

CHAPTER II

THE PROBLEM OF ECONOMIC INSECURITY, 1930-40

Major changes in public-aid policy and in the functions assumed by Government reflect changes in the social and economic environment. The elevation of governmental public-aid policy into a national issue of outstanding importance during the last 10 years was no arbitrary action or accidental development. In large measure it was the inevitable outcome of the economic situation with which the country was faced. The economic depression that set in during the latter part of 1929 involved a diminution or complete loss of private income for large sections of the population. Unless wholesale suffering were to result, organized action was essential.

The main features of the economic situation during the last 10 years have long been a matter of record, and an analysis of the immediate and ultimate factors that have contributed thereto has been the subject of extensive and technical research. No attempt can be made in this study to extend the bounds of knowledge in this respect. It is, however, essential for a proper understanding of the circumstances under which present public-aid policy evolved that the effect of these general economic conditions upon the levels and the stability of private incomes be briefly surveyed.

General Economic Conditions

The 1920's constituted a period of rapid economic expansion which reached a peak in 1929. These years of rising national income, of expanding production and consumption, however, terminated in the severe economic decline of the early thirties, a decline of more serious proportions than in any previous depression.¹ (See Figure 1.)

Among the many measures of the extent of the decline none is more significant than the reduction in the volume of goods and services produced. Total production in the United States amounted to 68.6 billion dollars in 1929, as measured in terms of 1939 prices.² By

¹ General indexes of economic activity before the World War period are not reliable. An annual index of industrial production which goes back to 1863 is available, however. It shows no decline equalling that of 1929-32 in either absolute or percentage terms. See Lubin, Isador, in *Investigation of Concentration of Economic Power*, Hearings Before the Temporary National Economic Committee, Pt. I, 75th Cong., 3d sess., Washington, 1939, pp. 24-25 and 200. (This publication will be cited hereafter as Hearings Before the Temporary National Economic Committee.) For agricultural data see Strauss, Frederick, *The Composition of Gross Farm Income Since the Civil War*, Bulletin 78, New York, National Bureau of Economic Research, April 28, 1940.

² National Resources Planning Board, *Our National Resources*, Washington, 1940, pp. 6-7.

1932 national income produced had fallen by approximately 40 percent to only 41.6 billion dollars in terms of 1939 purchasing power. The business situation slowly improved until 1937. However, as the total population had increased by over six million persons since 1930,³ per capita production was still considerably below the earlier high point. (See Figure 2.) Following a brief recession, total production again reached 69 billion dollars in 1939. The loss as a result of depression was so great that "if the economy had functioned at full capacity between 1929 and 1939, national income might have been from 20 to 30 billion dollars a year higher than it was."⁴

Losses in production during the thirties had their concomitants in the financial realm. Bank failures, which had been recurrent in the twenties, rose to an unprecedented number in the early thirties. The resulting losses were enormous. It has been estimated that the total loss to unsecured depositors in suspended commercial banks during the years 1931-34 was more than 2.3 billion dollars, or almost three times the loss for the entire preceding decade.⁵ Industry drew upon accumulated reserves for operating expenses as well as for payment of dividends. Private savings were also drawn upon by all classes of the population to meet the emergency. Industrial life insurance in force declined over a billion dollars from 1930 to 1933; this was the first recorded decline in volume of this common form of savings of the lower-income groups since 1900. It is especially significant that the decrease was due mainly to policy lapses rather than to a reduction in newly issued insurance.⁶

Huge amounts of productive capacity were unutilized, and new investment was sharply curtailed. Ordinary maintenance of plant and equipment was only partially provided for, and from 1931 through 1934 obsolescence and other deterioration of business plants and equipment actually exceeded replacements.⁷ As a result, the decline in production of durable goods was

³ *Sixteenth Census of the United States; 1940*, Preliminary release, Series P-3, No. 10, March 15, 1941, p. 2.

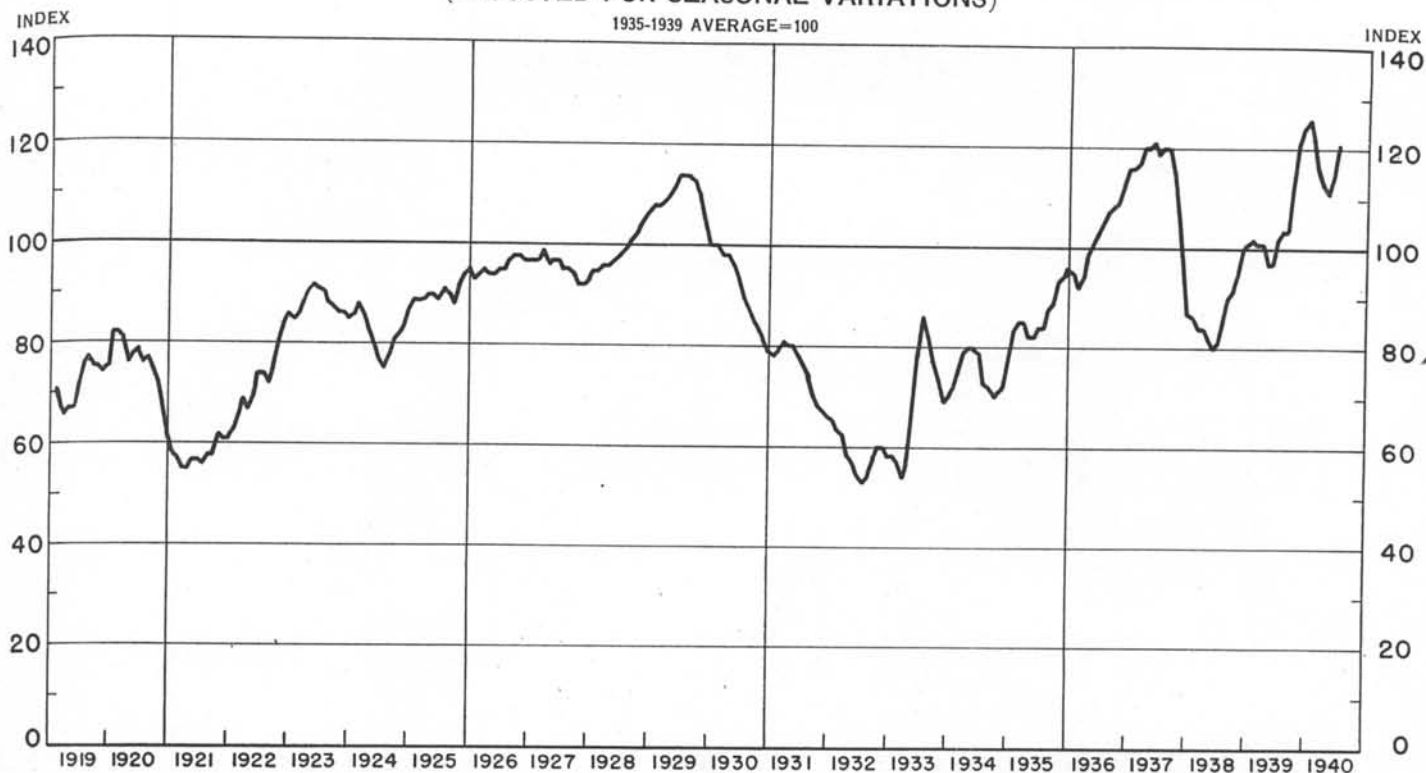
⁴ National Resources Planning Board, *op. cit.*, p. 7.

⁵ *Annual Report of the Federal Deposit Insurance Corporation for the Year Ending December 31, 1934*, Washington, 1935, p. 88.

⁶ Testimony of Davenport, Donald H., Hearings before the Temporary National Economic Committee, pt. 12, pp. 5607 and 6171.

⁷ See Kuznets, Simon, *National Income and Capital Formation, 1919-1935*, New York, National Bureau of Economic Research, 1937, p. 48; and Kuznets, Simon, *Commodity Flow and Capital Formation in the Recent Recovery and Decline, 1932-1938*, Bulletin 74, National Bureau of Economic Research, New York, June 25, 1939, p. 2.

INDUSTRIAL PRODUCTION, BY MONTH, JANUARY 1919-JUNE 1940 (ADJUSTED FOR SEASONAL VARIATIONS)



SOURCE: "NEW FEDERAL RESERVE INDEX OF INDUSTRIAL PRODUCTION," *FEDERAL RESERVE BULLETIN*, VOL. 26, AUGUST 1940, pp. 764-765; AND VOL. 26, DECEMBER 1940, p. 1307.

FIGURE 1.

particularly sharp. Expenditures for new durable goods declined approximately 70 percent from 1929 to 1933.⁸ The decline in consumption goods, though less severe, was likewise enormous. Consumer expenditures are estimated to have decreased 37 percent from 1929 to 1933,⁹ while consumer credit, which had been employed increasingly during the twenties as a stimulant to greater consumption, declined by 41 percent during the same period.¹⁰

The Agricultural Situation

The economic situation of agriculture was also very grave. In 1929 persons engaged in agriculture received 10.4 percent of the national income; by 1932 agriculture's share of a smaller national income had dropped

to 7.5 percent.¹¹ Between 1929 and 1932 the index of prices of farm products fell sharply from 146 to 65.¹² Prices farmers had to pay for commodities purchased did not decline to a commensurate degree, with the result that the ratio of the indexes of prices received to prices paid fell from 95 in 1929 to 61 in 1932. (See Figure 3.) The farm mortgage debt which amounted to over 9½ billion dollars in 1930 was still at the high level of over 9 billion dollars in 1932, when the decline in farm income and in the value of farm property had almost wiped out the capacity to meet payments on the debt.¹³ During the early thirties an increasing proportion of farm income had to be expended for taxes and for carrying charges on indebtedness, with farm mortgage charges alone amounting to 11.4 percent of cash farm income in 1932.¹⁴

⁸ From an estimated \$25.5 billion in 1929 to \$7.6 billion in 1933. Terborgh, George, "Estimated Expenditures for New Durable Goods, 1919-1938," *Federal Reserve Bulletin*, XXV (September 1939), 731.

⁹ From an estimated value of \$62.3 billion in 1929 to \$39.2 billion in 1933. (National Resources Committee, *The Structure of the American Economy*, Pt. I, Washington, June 1939, table XIV, p. 381.)

¹⁰ The estimated receivables of all consumer credit agencies amounted to \$8.1 billion in 1929; by 1933 this figure had declined to \$4.8 billion. Nugent, Rolf, *Consumer Credit and Economic Stability*, New York, Russell Sage Foundation, 1939, p. 116.

¹¹ Bean, Louis H., "Increasing the Farmers' Share of the National Income," *The Agricultural Situation*, XIX (Feb. 1, 1935), 2-9.

¹² August 1909-July 1914=100. *Agricultural Statistics, 1939*, U. S. Department of Agriculture, Washington, pp. 496 and 497; and *The Agricultural Situation*, XXIV (June 1940), 24.

¹³ Horton, Donald C., "Thirty Years of Mortgage Debt," *The Agricultural Situation*, XXIII (October 1939), 10-13.

¹⁴ Interest paid would be lower proportionately because of default. For a discussion of this, see Horton, Donald C., "Farm Mortgage Interest Charges," *The Agricultural Situation*, XXIV (March 1940), 9-12.

Economic indexes, however, only partially reveal the plight of agriculture in the thirties. Ill-considered land use in the past had resulted in the erosion of some 100,000,000 acres of cropland which had been severely damaged or ruined for cultivation, while another 200,000,000 acres had been partially damaged.¹⁵ Meanwhile, the trend toward small acreages which cannot produce sufficient quantities to support farm families continued. The proportion of all farms which contained less than 20 acres increased by almost 50 percent from 1920 to 1935.¹⁶ Increased dependence on a single cash crop—cotton, corn, tobacco, or wheat—and corresponding lack of production for consumption in the home, together with decreased opportunities for supplementary income for farmers from employment in lumbering, mining, building, and road construction, and other rural industries, added to the seriousness of the situation. These conditions resulted in the decreased ability of farmers to hire farm laborers; from 1929 to the low point in 1934 the average monthly number of hired workers in agriculture declined by almost 650,000.¹⁷ Technological advances intensified the problems of agriculture. Tractors on farms increased in number from 920,000 on January 1, 1930 to 1,048,000 by 1935 and to 1,610,000 by January 1, 1940.¹⁸ Technological trends have thus reduced the demand for manpower while making possible increased production for an agricultural market severely affected by curtailed foreign demand and by complex domestic problems.¹⁹ Subnormal precipitation in widespread areas of the Great Plains in the early thirties followed by catastrophic droughts in 1934 and 1936 intensified the economic difficulties of farmers. Furthermore, the farm population was increasing disproportionately, especially in the poorest agricultural areas where population pressure on natural resources was already acute. This was partly due to the sharp diminution in the net movement of persons from farms to cities, towns, and villages.²⁰

¹⁵ *Report of the Chief of the Soil Conservation Service, 1938*, Washington, p. 51.

¹⁶ *United States Census of Agriculture: 1935*, III, Washington, 1937, p. 50.

¹⁷ Shaw, Eldon E., and Hopkins, John A., *Trends in Employment in Agriculture, 1909-36*, Report No. A-8, Works Progress Administration, National Research Project, Philadelphia, 1938, p. 153.

¹⁸ Brodell, A. P., and Tetro, Robert C., "Modern Farm Practice and Mechanical Power," *The Agricultural Situation*, XXV (May 1941), p. 19.

¹⁹ U. S. Department of Agriculture, Interbureau Committee and Bureau of Agricultural Economics, *Technology on the Farm*, Washington, 1940, *passim*.

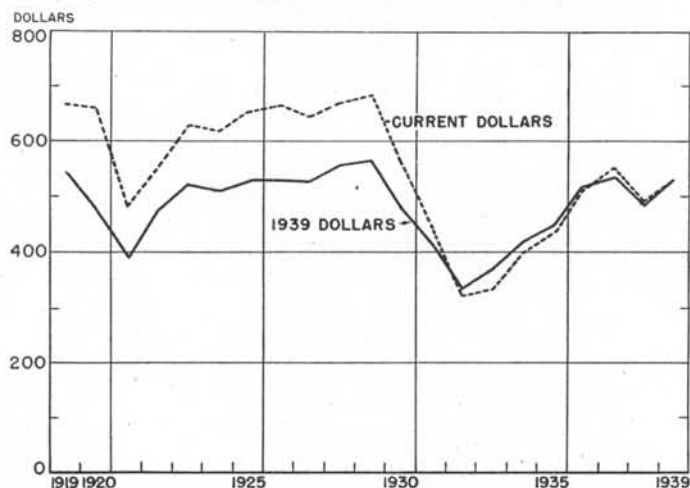
²⁰ Woofter, T. J., Jr., "Rural Relief and the Back-to-the-Farm Movement," *Social Forces*, XIV (March 1936), pp. 382-388. During 1920-29 the net movement from farms amounted to about 600,000 persons annually. This average for 1930 through 1934 was reduced to about 120,000 per year. In 1932 the trend was actually reversed, and 266,000 more persons moved to farms than left farms. During each of the 3 years 1937, 1938, and 1939, the net migration from farms was

Only partial recovery from the worst of the depression had been achieved before the influence of the defense program began to be felt. The trends of the various economic indexes had been slowly upward since 1932-33, but by 1939 per capita income had still failed to reach the 1929 level. The rate of expansion which characterized the predepression decade was far from being regained and both the industrial and the agricultural maladjustments characteristic of the depression of the early thirties remained largely unremedied.^{20a} It is as yet too soon to foresee what long-range influence, especially on these underlying maladjustments, will be exerted by defense and war spending.

Unemployment

Individual security and welfare are dependent upon general economic conditions. For the entrepreneur, whether engaged in business or in agriculture, economic decline manifests itself in curtailed markets, falling prices, reduced profits, and actual losses. For the great majority of persons gainfully employed, however, eco-

NATIONAL PRODUCT PER CAPITA, 1919-1940



Sources: National income produced, 1919-28, from unpublished data of the National Resources Planning Board; 1929-39, from Nathan, Robert R., "National Income at Nearly Seventy Billion Dollars in 1939," *Survey of Current Business*, XX (June 1940), p. 7. National income figures in terms of 1939 dollars from National Resources Planning Board, *Our National Resources*, Washington, 1940, p. 6. Population figures used in computation of per capita national product from Bureau of the Census, *Statistical Abstract of the United States, 1938*, p. 10, for the years 1919-30, and *Sixteenth Census of the United States: 1940*, Preliminary release, Series P-3, No. 10, Mar. 15, 1941, p. 2, for the years 1931-39. Data for 1940 from National Resources Planning Board.

FIGURE 2.

between 200,000 and 300,000. (U. S. Department of Agriculture, Bureau of Agricultural Economics, *Farm Population Estimates, January 1, 1940*, Washington, 1940.)

^{20a} For a discussion of the nature of these maladjustments, their probable permanence, and their long-range implications for public-aid policy, see ch. XVIII.

conomic decline means loss of wages and salaries as a result of unemployment and underemployment.²¹

Unemployment is always present to some extent. Even during 1929 an average of 429,000 persons in the labor force were unemployed.²² At no time prior to the thirties, however, had unemployment been experienced by so large a proportion of the working population of the United States as at the trough of the depression of the thirties. In the depression year of 1921, unemployment averaged 4,754,000 persons. The peak during the thirties was reached in March 1933 when 14,762,000 persons, or 29 percent of the total labor force, were estimated to be unemployed.²³ The annual

average of unemployment probably exceeded 10,000,000 persons in 1932, 1933, 1934, and again in 1938. (See Appendix 1.) In September 1937, the month of least unemployment since the bottom of the depression, there were still some 5,066,000 persons out of work, despite the fact that there were at that time slightly more persons at work than in the average month of 1929. (See Figure 4.) The explanation for this seeming contradiction lies in the fact that between 1929 and September 1937 the labor force increased by about 4,795,000 persons.²⁴ This rapid expansion was a significant factor in the volume of unemployment and explains why increases in employment were not accompanied by commensurate declines in unemployment.

²¹ According to the Brookings Institution, 80.7 percent of the gainfully employed in 1930 were wage earners and salaried workers. See Leven, Maurice, Moulton, Harold G., and Warburton, Clark, *America's Capacity to Consume*, Washington, The Brookings Institution, 1934, p. 31.

²² "Employment and Unemployment of the Labor Force, 1900-1940," *The Conference Board Economic Record* (National Industrial Conference Board, Inc., New York), II (March 20, 1940), 78 and 84.

²³ The unemployment estimates cited in this report are usually those of the National Industrial Conference Board which are in general lower than those of other unemployment series and in April 1940 were closer than

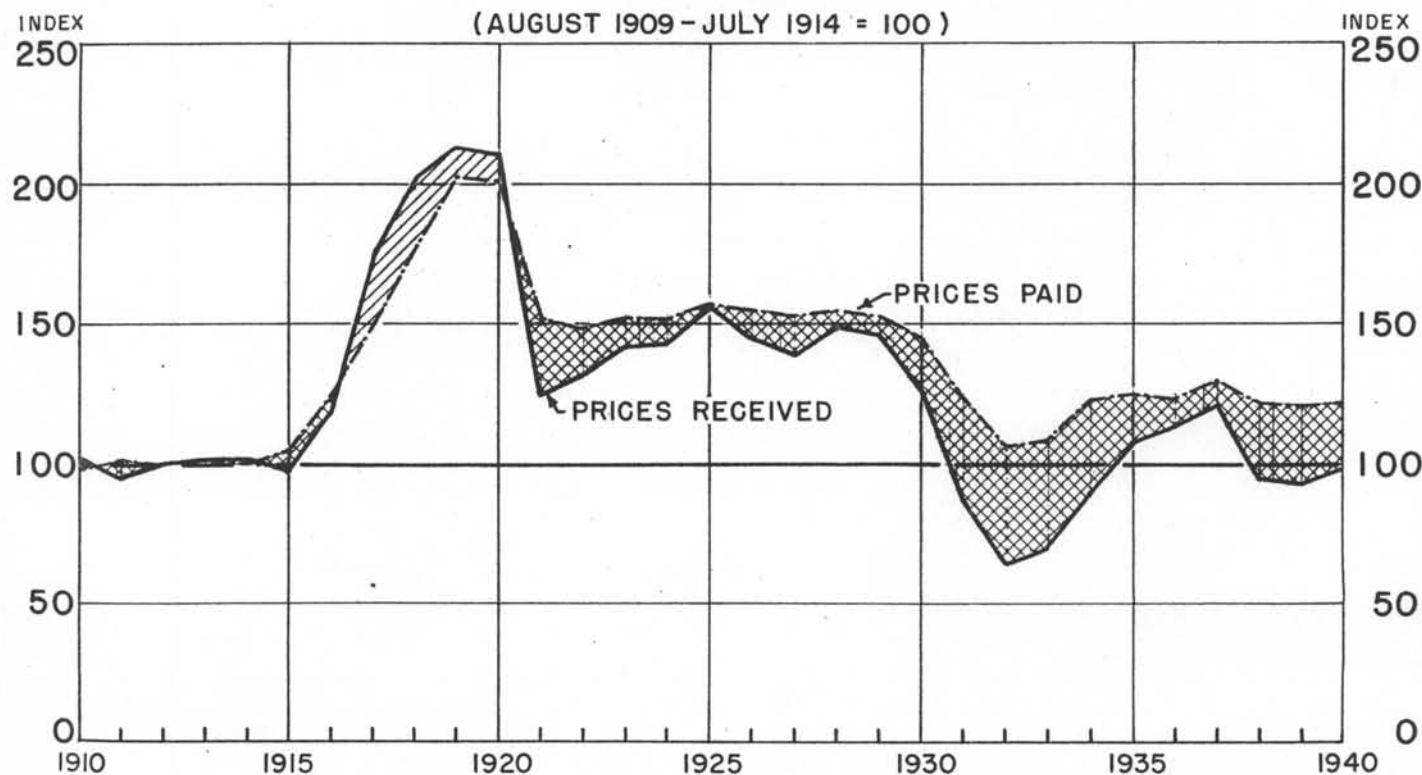
any of the other series to the preliminary figures on employment status of persons enumerated in the decennial census.

According to estimates of the Alexander Hamilton Institute, 16,467,000 persons were unemployed in March 1933. The American Federation of Labor estimate was 15,653,000. (*Social Security Bulletin*, III (January 1940), 109.)

For details of the unemployment estimates used in this report, see Appendix 1.

²⁴ *The Conference Board Economic Record*, II (Mar. 20, 1940), 86, table 6.

INDICES OF PRICES RECEIVED AND PRICES PAID BY FARMERS, 1910-1940



Sources: U. S. Department of Agriculture, Bureau of Agricultural Economics, *The Agricultural Situation*, XX (October 1936), 22, and XXV (February 1941), 24.

FIGURE 3.

ESTIMATED TOTAL LABOR FORCE, EMPLOYED AND UNEMPLOYED, BY MONTH, JANUARY 1929 – JUNE 1940

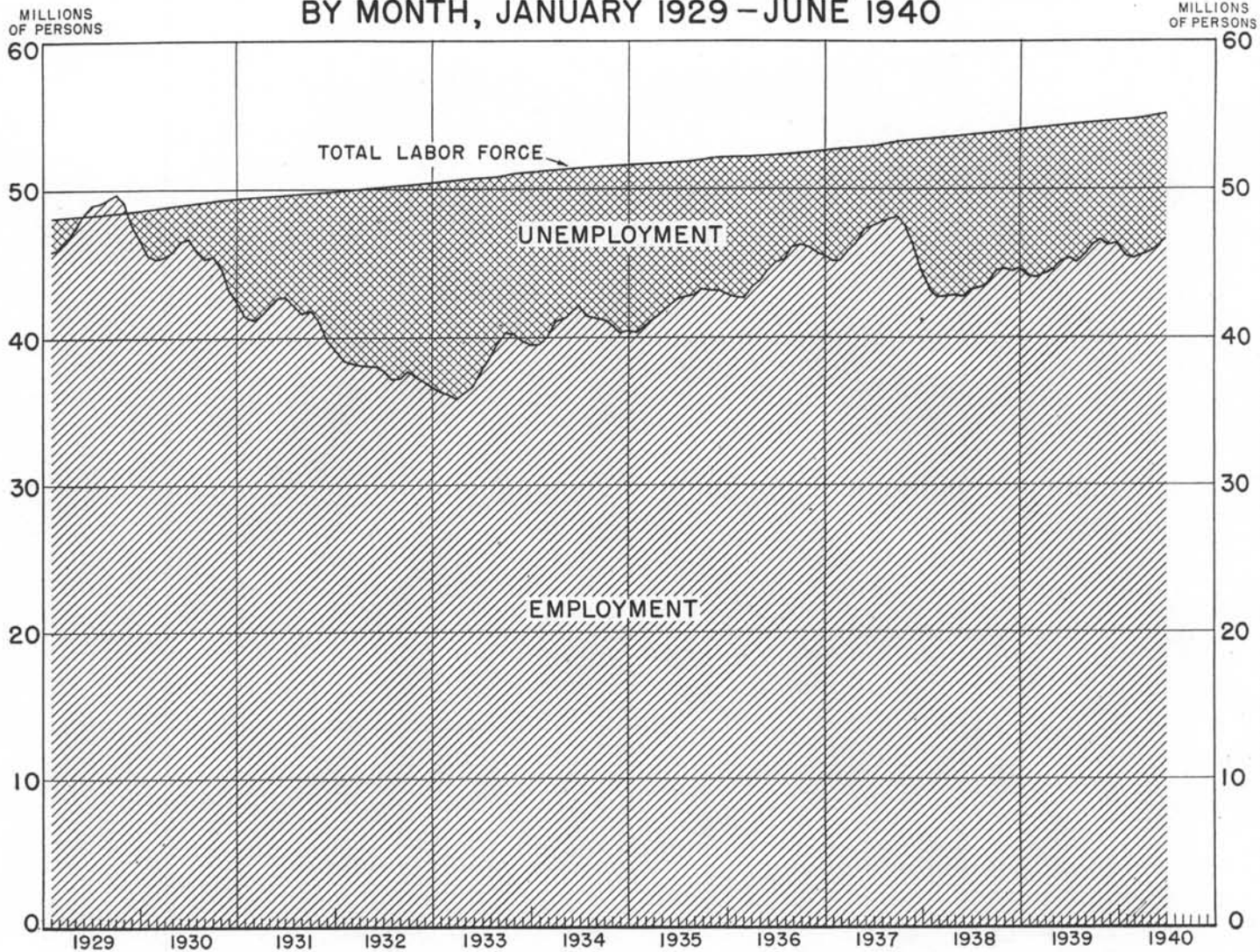


FIGURE 4.

Sources: National Industrial Conference Board, "Employment and Unemployment of the Labor Force," *The Conference Board Economic Record*, II (March 20, 1940), 86 for figures through November 1939; figures for December 1939 through June 1940 from subsequent issues of *The Conference Board Record*. All figures are those prior to the revision of the NICB's estimates in 1941; see also Appendix 1.

At the opening of the new decade, January 1940, a total of 9,163,000 persons were estimated to be unemployed.²⁵

The figures just cited understate the total number of workers affected by unemployment because of the very considerable turnover among the unemployed population. The actual number of persons who experience a period of unemployment during any given year far exceeds the annual average. Moreover, in 1930-40, a large number of workers, while not wholly unemployed, suffered from underemployment in the form of partial unemployment. Many persons with jobs worked less than full time. During the early years of the depres-

sion, when work-sharing was deliberately fostered by government through the "spread-the-work" movement, less-than-full-time work was characteristic of a considerable proportion of the employed population.²⁶ As late as 1937, estimates of the Enumerative Check Census placed the number of partly unemployed persons during the week of November 14 to 20 at 5,550,000, or roughly

²⁵ In March 1932 a questionnaire on extent and methods of spreading work was sent by the President's Organization on Unemployment Relief to some 25,000 companies, whose rated capitalization in 1929 was \$100,000 or more. The 6,551 companies reporting, which represented all sizes in the group surveyed and practically every type of industry and business, had more than 2.5 million employees at the time of the survey. Of the total, 56.1 percent were working less than full time. See Barrett, William J., "Extent and Methods of Spreading Work," *Monthly Labor Review*, XXXV (September 1932), 489-92.

²⁶ *The Conference Board Economic Record*, II (May 2, 1940), 191.

10 percent of all workers.²⁷ These figures do not include habitual part-time workers who, in contrast to the partly unemployed, do not seek more than part-time work.

In addition to the workers actually unemployed or only partly employed, many others were forced down the occupational scale because of extensive unemployment and the resulting intensification of competition for available jobs. Semiskilled workers fell back into the ranks of the unskilled; skilled workers accepted semiskilled employment.²⁸ This decline in occupational status naturally involved a reduction in income for the group affected.

The problems attributable to unemployment are aggravated, moreover, by the unevenness of its incidence. Some workers experience unemployment only intermittently, while others may be continuously out of work for months or years at a time. As mass unemployment continues, the extent of long-term unemployment inevitably increases,²⁹ and with it the chances for reemployment decrease for those who are idle for protracted periods.

Of 2,199,700 unemployed workers who registered for the first time with the United States Employment Service from July 1936 through March 1937, almost one out of three (32.3 percent) had been out of work six months or longer. Nine percent had been unemployed for at least four years.³⁰ Among 4,736,000 persons who registered in the Unemployment Census of 1937 as totally unemployed during the week of November 7 to 13, 31.2 percent had had no work at all for the preceding 12 months or more, and an additional 50.6 percent had worked less than 27 weeks during the preceding year.³¹

Since unemployment falls with unequal severity on the various categories of the working population, the problems of some groups are more acute than general data on unemployment indicate. Age, for example, is one of the most important factors in determining which workers will obtain the jobs available.

For many years, youth between the ages of 15 and 24 have borne a disproportionate share of unemployment. The difficulty of youth in finding jobs has

emerged as one of the most serious problems of the depression. It is estimated that youth constituted a third of all the unemployed during the thirties and that at least one-third of all employable youth were unable to find jobs.³²

Long before the depression, the problem of the older worker in industry attracted attention. In the thirties, hiring policies which discriminated against older workers became increasingly widespread.³³ The resulting long-term unemployment of the older workers was itself a bar to future reemployment. The prospect of a labor shortage induced by the defense program prompted the first important relaxation of maximum age limits in many years.

Selective factors in employment also worked to the disadvantage of Negroes. By virtually every census count in the thirties, Negro members of the labor force suffered a higher rate and a longer duration of unemployment than whites.³⁴ A study of the Philadelphia labor market, for example, suggests that unemployment among Negroes not only increases at a faster rate when unemployment is increasing but also that it decreases at a slower rate among Negroes when unemployment in general is declining.³⁵ Even after the defense program had created local labor shortages, qualified workers were reported to be available who, because of their race, were not being hired.³⁶

Inadequacy of Incomes

As a result of the economic conditions just described, the consumers of the Nation experienced a tremendous loss of income during the past decade with a resultant decrease, to the vanishing point in millions of cases, in the amounts of goods and services they were able to purchase. This was especially true of the low-income population.

From 1929 to 1933 total income payments to individ-

²⁷ See ch. IX.

²⁸ Barkin, Solomon, *The Older Worker in Industry*, Report of the Joint Legislative Committee on Unemployment, State of New York, Leg. Doc. No. 66, Albany, 1933.

²⁹ For example, in Pennsylvania in 1934, 44.7 percent of native colored employable workers were totally unemployed as compared to 27.2 percent of native white employable workers. (State Emergency Relief Administration, *Census of Employable Workers in Urban and Rural Non-Farm Areas of Pennsylvania, 1934*, Harrisburg, 1936, pp. 2-3). The Enumerative Check Census of November 1937 indicated that "in relation to persons employed or available for employment, 26 percent of all male and 32 percent of all female Negro workers were totally unemployed or working on emergency work, as compared with 13 percent of all male and 24 percent of all female white workers." (Census of Partial Employment, Unemployment, and Occupations; 1937, *Final Report on Total and Partial Unemployment*, IV, The Enumerative Check Census, Washington, 1938, p. 35.) Numerous local studies confirm the higher rate of unemployment among Negroes.

³⁰ Palmer, Gladys L., *Recent Trends in Employment and Unemployment in Philadelphia*, Report No. P-1, Works Progress Administration, National Research Project, Philadelphia, 1937, table 8, pp. 48-49.

³¹ Social Security Board, Bureau of Employment Security, *Labor Market Developments, February 1941*, Washington, 1941, p. 2.

²⁷ Census of Partial Employment, Unemployment, and Occupations, 1937, *Final Report on Total and Partial Unemployment*, IV, The Enumerative Check Census, Washington, 1938, p. 9.

²⁸ See, for example, U. S. Employment Service, *Survey of Employment Service Information*, Washington, 1938, pp. 45-47.

²⁹ "The relationship between length of time out of work and the likelihood of reemployment is so close that some of the major aspects of the unemployment problem can be identified by figures on duration of enforced idleness." (Webb, John N., "Unemployment in a Depressed Coal-Mining Area," *Monthly Labor Review*, XLIX (December 1939) 1304.)

³⁰ U. S. Employment Service, *op. cit.*, p. 178.

³¹ Census of Partial Employment, Unemployment, and Occupations: 1937, *Final Report on Total and Partial Unemployment*, I, United States Summary, Washington, 1938, p. 13.

uals declined from 82.5 billion dollars to 47.3 billion dollars, or 43 percent.³⁷ Per capita income payments declined from \$679 in 1929 to \$377 in 1933.³⁸ For the farm population the decline in income was even greater proportionately, with cash farm income decreasing from more than 11 billion dollars in 1929 to little more than 4.5 billion dollars in 1932.³⁹ (See Figure 5.)

It might have been expected that, since the depressed years of the thirties followed immediately upon the period of highest economic activity yet achieved by the country, at least the majority of the people of the United States would have been well prepared to withstand a temporary diminution or total loss of income. Actually, however, the apparent prosperity of the country concealed various disturbing facts. Their existence goes far toward explaining why organized group effort was necessary to make good at least part of the deficiency when sources of private income dried up for periods of years. Even at the time when national resources were most completely utilized, large sections of the population were receiving incomes that often left no margin for savings to meet emergencies.⁴⁰ Estimates by the Brookings Institution indicate that in 1929, 10 percent of all spending units (families and unattached individuals) fell within the income class of less than \$500, while the income of 28 percent was less than \$1,000.⁴¹

Consumers as a whole entered the depression period burdened with a volume of debt as a result of installment buying amounting to over 8 billion dollars.⁴² This fact, when viewed in conjunction with the losses in private savings resulting from bank failures in the years 1931-34, indicates that the ability of the population to meet serious losses of income from private resources was severely restricted.

³⁷ Income data derived from Martin, John L., "Income Payments to Individuals, by States, 1929-38," *Survey of Current Business*, XX (April 1940) 11.

³⁸ The effect of this decline upon the incomes of individual families was indicated by a study of 7,436 families in 8 cities which revealed that, while approximately 1 out of every 4 families had a total income of less than \$1,200 in the prosperous year 1929, by 1932 the income of the families studied had declined to such an extent that almost 2 out of 3 reported total incomes of less than \$1,200. Even more significant is the fact that in 1929 one-half of all the families surveyed had incomes of less than \$1,650, but by 1932 one-half had incomes of less than \$870. (Perrott, G. St. J., and Collins, Selwyn D., "Relation of Sickness to Income and Income Change in 10 Surveyed Communities," *Public Health Reports*, L, (May 3, 1935) 602. The 8 cities included in the study were Baltimore, Birmingham, Brooklyn, Cleveland, Detroit, New York, Pittsburgh, and Syracuse.)

³⁹ Stine, O. C., "Cash Income From Farm Products," *The Agricultural Situation*, XXIII (December 1939) 17.

⁴⁰ It has been found that a smaller number of savings accounts than generally assumed were held by wage earners even during the late twenties, and that while a large proportion of savings accounts were under \$100 they aggregated a very small proportion of the total. Epstein, Abraham, *Insecurity: A Challenge to America*, 3d ed., New York, Random House, 1936, ch. VIII.

⁴¹ Leven, Moulton, and Warburton, *op. cit.*, p. 228.

⁴² See footnote 10 above.

In many sections of the country there were industries and occupational groups which failed to share in the economic upsurge of the twenties or were even at that time in a state of depression. Workers who had at best secured an uncertain livelihood were in no position to face any further inroads on their already limited economic resources.

Outstanding among the groups ill-prepared to face any further decline in private incomes were those who depended upon agricultural employment for their livelihood. The roots of the agricultural depression stretch back to the post-World War collapse of the early twenties from which farmers had been unable to recover fully when they were faced with the depression of the early thirties.

Among the nonagricultural population, there were sizable groups attached to industries whose difficulties considerably antedated the decline of the early thirties. Conspicuous among these was the New England cotton textile industry which, attracted by lower production costs, was moving to the South at a rapid rate during the 1920's.⁴³ Lumbering was experiencing serious economic difficulties prior to 1930, largely attributable to the exhaustion of forest resources and reduced annual consumption of lumber.⁴⁴ Mining was another industry which showed evidences of decline in the late twenties. This decline resulted from various causes, among which were previous overdevelopment, changes in demand because of competitive fuels, and increased efficiency in the use of coal.⁴⁵ In addition to the victims of these depressed industries, other scattered industrial groups were suffering loss of income due to technological unemployment⁴⁶ and other factors.

In 1935-36, when a considerable degree of recovery from the trough of the depression already had been achieved, 17 percent of all spending units (over 6.7 million families and single individuals) in the United States received incomes of less than \$500; a total of 47 percent (more than 18.3 million) received less than \$1,000; 82 percent (almost 32.3 million) had incomes below \$2,000.^{46a} These incomes include estimates of

⁴³ See, for example, Creamer, Daniel, and Coulter, Charles W., *Labor and the Shut-Down of the Amoskeag Textile Mills*, Report No. L-5, Work Projects Administration, National Research Project, Philadelphia, 1939.

⁴⁴ See U. S. Forest Service, *A National Plan for American Forestry*, vol. I, Senate Document No. 12, 73d Cong., 1st sess., Washington, 1933.

⁴⁵ National Resources Committee, *Technological Trends and National Policy*, Washington, 1937, p. 156.

⁴⁶ For example, throughout the twenties the physical product per man-hour in manufacturing increased at the rate of about 4 percent a year, compound; the 1935 output of manufactures was produced by means of over 74 million man-hours a week less than would have been required at the 1929 rate of productivity. Derived from Mills, Frederick C., *Employment Opportunities in Manufacturing Industries*, Bulletin 70, National Bureau of Economic Research, New York, Sept. 25, 1938.

^{46a} National Resources Committee, *Consumer Incomes in the United States: Their Distribution in 1935-36*, Washington, 1938, p. 6. For a con-

the amount of public aid received by these families during the year and would have been lower, had these families not received socially provided income.

Families and individuals receiving incomes of less than \$780 per year, representing one-third of all spending units, received only about one-tenth of the aggregate consumer income. On the other hand, consumer units receiving more than \$1,450 annually, representing another third of all spending units, received nearly two-thirds of the total consumer income, while the middle third (families and individuals receiving between \$780 and \$1,450) accounted for about one-fourth of the aggregate consumer income. Spending units in the highest income brackets, over \$3,400 annually, which represented about 5 percent of all consumer

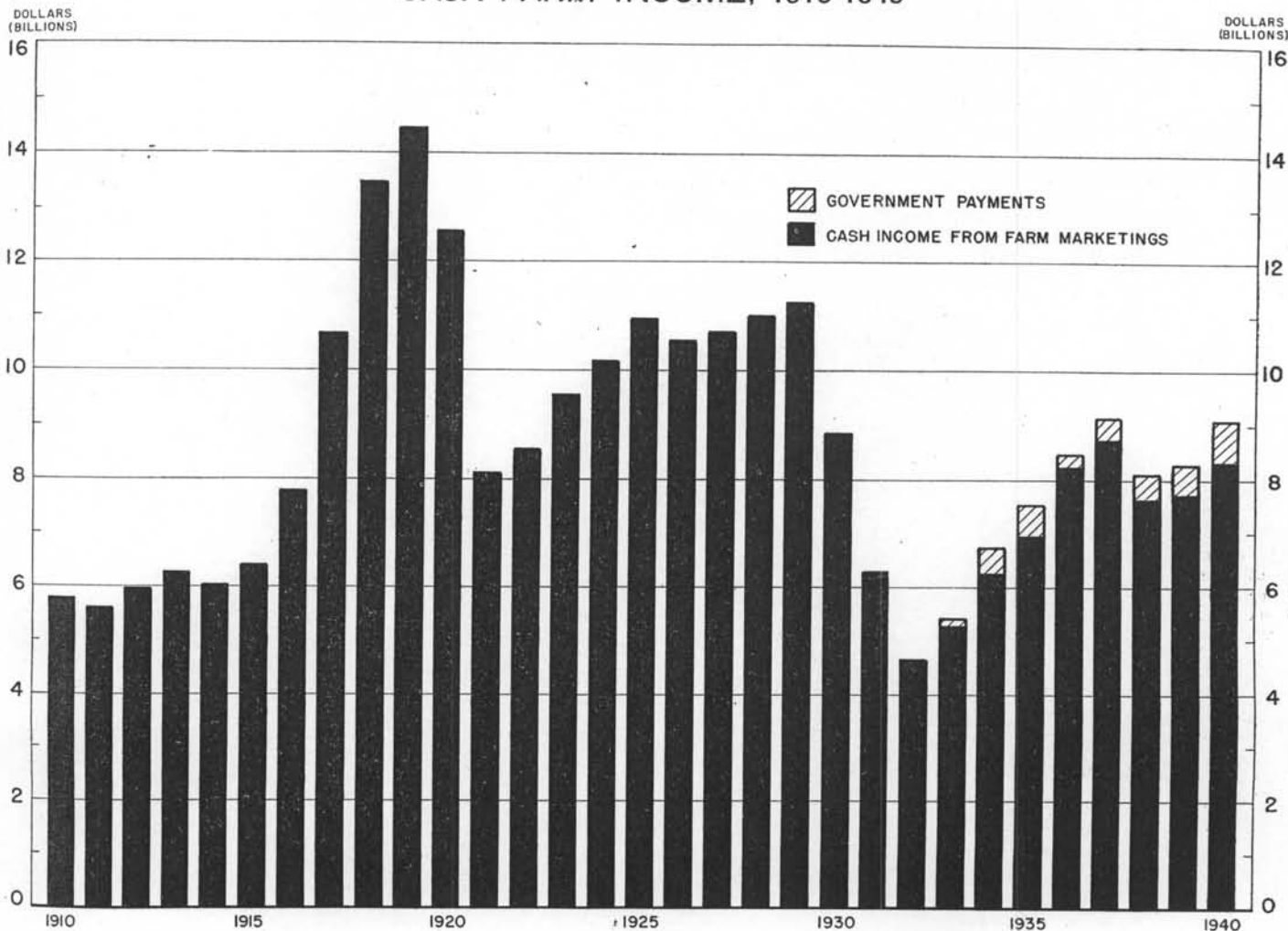
units, received more than one-fourth of the aggregate income. On a per capita basis, the income of consumer units consisting of one person only was three times as high as that of family units, but the income distribution of single individuals shows a larger proportion in the lower income brackets than does that of families. For example, no less than 61 percent of all single-person consumer units received less than \$1,000 per year, while among families the proportion was 42 percent.⁴⁷

The lowest tenth of the families of two persons or more in the United States had incomes under \$410 in 1935-36 and received less than 2 percent of the aggregate income of all families. The highest tenth, com-

case statement of the lack of comparability between this study and the Brookings Institution income estimates for 1929, see *ibid.*, p. 34.

⁴⁷ *Ibid.*, pp. 6-10. The income distribution data of single individuals are less reliable than those for families.

CASH FARM INCOME, 1910-1940



Sources: Stine, O. C., "Cash income from Farm Products," *The Agricultural Situation*, XXIII (December 1939), 17; and *The Agricultural Situation*, XXV (February 1941), 3.

FIGURE 5.

prising all families with incomes of \$2,800 and more, received 36 percent of the total consumer income.⁴⁸

In the South there was a particularly heavy concentration of families at the lowest income levels. In 1935-36 more than two-fifths of the families of two persons or more in that region had incomes below \$750, while only about one-fifth of the families in the New England, North Central, and Pacific regions were similarly situated. In the Mountain and Plains area, with its large farm population, about one-third of the families received less than \$750 in 1935-36. The relative number of families in each region having incomes of \$3,000 and more, however, varied only from 6.5 percent for the Mountain and Plains region and 7.1 percent for the South to 9.0 percent for North Central families.⁴⁹

Although total agricultural national income in 1940 was considerably higher than it was in the years 1935-36, it has been estimated that during this year one-half of all farm-operator families would have total net incomes of less than \$940. The more fortunate half were expected to receive nearly four-fifths of the aggregate farm family income. It was estimated, moreover, that approximately one-third of all farm-operator families would have net cash incomes (from farm and nonfarm sources) below \$300 and one-half less than \$450. The lower-income half would receive only about 13 percent of the group's aggregate cash income for 1940.⁵⁰

Public Recognition of the Problem

Even in so-called "good" times a disturbingly large proportion of the population has a precarious existence as a result of inadequate or no private income. With economic depression accompanied by a severe decline in employment opportunities, such as occurred during

⁴⁸ *Ibid.*, table 6B, p. 96. It is commonly held that changes in the total national income do not materially affect the distribution of consumer income by income classes. Data for 1935-36 may therefore be taken as reasonably representative of the shape of the income distribution curve for succeeding years up to 1940.

The National Industrial Conference Board has estimated the distribution of the aggregate national income among each tenth of the income recipients during six different years: 1910, 1918, 1921, 1929, 1934, and 1937. While these estimates are based on scanty and inconclusive data, the similarity from year to year, whether in prosperity or depression, is striking. See National Industrial Conference Board, *Conference Board Studies in Enterprise and Social Progress*, New York, 1939, p. 125.

⁴⁹ National Resources Committee, *Consumer Incomes in the United States* * * * 1935-36, table 12B, p. 98. The exclusion from the National Resources Committee's study of farm laborers and of owner and tenant families that did not contain husband and wife, both native-born, resulted in too high an income distribution particularly in the South. No data were collected in the Southwest, so that the regional estimates for the South are not entirely representative of this region.

For States in these regions, which are not identical with the socioeconomic regions used throughout the present study, see *ibid.*, pp. 42-43.

⁵⁰ U. S. Department of Agriculture, Bureau of Home Economics, *The Outlook for Farm Family Living, 1941*, Washington, 1940, pp. 5-8. No comparable estimates of the income of nonfarm families in 1940 have been made.

the thirties, the proportion whose livelihood is insecure and inadequate increased tremendously.

Had the general decline in economic activity been short-lived, it is probable that the emergency might have been met by methods which had been used in the past—namely, greater reliance on private charity, both organized and unorganized, and the expansion of local public relief and occasional special emergency appropriations of public funds for relief in localities especially hard hit by business depression.⁵¹ In fact, however, the depression was not only unusually severe, but it was also unusually prolonged. Even after the trough was passed in 1933, recovery was slow and uncertain and failed to keep pace with the increase in population. Government was indeed loath to recognize the implications of these developments, even in the face of signs of unrest in certain parts of the country⁵² and despite a growing body of testimony regarding the effect of the depression on people deprived of their normal sources of private income.⁵³

⁵¹ For an account of these earlier methods of meeting losses of private income caused by depressions, see Feder, Leah Hannah, *Unemployment Relief in Periods of Depression*, New York, Russell Sage Foundation, 1936; Colcord, Joanna C., Koplovitz, William C., and Kurtz, Russell H., *Emergency Work Relief*, New York, Russell Sage Foundation, 1932; Klein, Philip, *The Burden of Unemployment*, New York, Russell Sage Foundation, 1923; Geddes, Anne E., *Trends in Relief Expenditures, 1910-1935*, Research Monograph X, Works Progress Administration, Division of Social Research, Washington, 1937; Walker, Sydney H., "Privately Supported Social Work," in *Recent Social Trends in the United States*, New York, McGraw-Hill Book Co., Inc., 1934, pp. 1168-1223; *Social Work Year Books*, New York, Russell Sage Foundation.

⁵² The unrest of the unemployed was demonstrated in several ways. Unemployed councils were formed in various localities, and sporadic actions, particularly during 1931 and 1932, took the form of hunger marches, petitions, demonstrations at relief offices and city halls, and occasional "food riots." For a careful statement concerning the situation, see *Federal Aid for Unemployment Relief*, Hearings Before a Subcommittee of the Committee on Manufactures, U. S. Senate, 72d Cong., 2d sess., pt. I, Washington, 1933, pp. 74-77.

Farm unrest was also serious; there were mass marches on State legislatures, crowds stopping foreclosure sales, martial law in Iowa. For a brief summary of farm movements, see Genung, A. B., "Eventful Decade," *The Agricultural Situation*, XXIII (December 1939), 12.

⁵³ See, for example, Clague, Ewan, "When Relief Stops What Do They Eat?" *The Survey* *Midmonthly*, LXVIII (November 15, 1932), 583-85; Williams, James Mickel, *Human Aspects of Unemployment and Relief*, Chapel Hill, The University of North Carolina Press, 1933; *Prospects for Unemployment Relief in 1931-32 in 45 Cities of New York State*, Joint Committee on Unemployment Relief of the State Board of Social Welfare and the State Charities Aid Association, August 1931; *Report of the Ohio Commission on Unemployment Insurance*, pt. II, Studies and Reports, Columbus, Ohio, January 1933, *passim*; *Unemployment Relief*, Hearings Before a Subcommittee of the Committee on Manufactures, U. S. Senate, 72d Cong., 1st sess., Washington, 1932; and Bakke, E. Wight, *The Unemployed Worker and Citizens Without Work*, The Institute of Human Relations, New Haven, Yale University Press, 1940 and 1941, respectively.

Later studies have not only explored in detail the consequences of the economic insecurity of the thirties upon the individuals directly affected but have also thrown some light on the effect of these conditions upon social institutions. See the series of research memoranda, *Studies in Social Aspects of the Depression*, New York, Social Science Research Council, 1937; also Hopkins, Harry L., *Spending to Save*, New York, W. W. Norton and Company, Inc., 1936; Woofter, T. J., Jr., and Winston, Ellen, *Seven Lean Years*, Chapel Hill, The University of North Carolina Press, 1939; Bloodworth, Jessie A., and Greenwood, Elizabeth J., *The Personal Side*, Special Report, Works Progress Administration, Division of Research, Washington, 1939; *These Are Our Lives*, As Told by the

Looking back over the last decade in the light of this testimony and of more complete knowledge of the economic situation, the wonder is not that Government finally took cognizance of the problem, but rather, that it did not do so more promptly.⁵⁴ Because of this delay in the assumption of responsibility, policy evolved under two serious handicaps. On the one hand, little careful thought had been given to the appropriate forms of assistance to be provided when governmental action became necessary. The prevailing tendency was

People and Written by Members of the Federal Writers' Project of the Works Progress Administration in North Carolina, Tennessee, and Georgia, Chapel Hill, The University of North Carolina Press, 1939; Research Monographs, Work Projects Administration, Division of Research, Washington; Abbott, Edith, *Public Assistance*, vol. 1, Chicago, University of Chicago Press, 1940.

⁵⁴For an illuminating account of the reluctance of the Federal and State governments to undertake responsibility and of the steps by which action was finally taken, see Brown, Josephine C., *Public Relief, 1929-1939*, New York, Henry Holt & Co., 1940, chs. 3-5.

to regard the depression as a temporary emergency, a deviation from a general upward trend. Hence the question was seldom asked: Will the present policies be suitable if the need for governmental aid proves to be more than temporary? On the other hand, delayed action meant that, when Government at length entered the public-aid field, it faced immediately a problem of overwhelmingly large proportions. The need of the hour was the immediate provision of income to literally millions of people. In these circumstances, a gradual building up of suitable administrative agencies on the basis of experiment and a careful modification of policies and procedures in the light of experience were alike impossible. The account of the evolution of governmental measures which is given in the following chapter should thus be read with a full realization of the circumstances out of which these measures developed.