
ECONOMICS PROJECT

COVID 19 V/S GREAT DEPRESSION

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Acknowledgement

It is our proud privilege to release the feelings of our gratitude to several information areas which helped us directly or indirectly to complete project work. The topics assigned to us is a really recent pandemic and always a topic of concern. This project has been a great learning experience for us. We came to know about so many new things and we are really thankful for the deep understanding we gained about them. Our special thanks to Miss Radhika Talekar Ma'am for believing in us and for all the support and encouragement. Your valuable advice and suggestions for the corrections, modifications, and improvement did enhance the perfection in the project. We are glad that we have accomplished this golden opportunity and made the best out of it. Although this report has been prepared with utmost care and deep routed interest. Even then we accept respondents and feedbacks.



SUMMARY

This entire research paper was based on difficulties faced during the two major pandemics Covid 19 and Great Depression. Both the global pandemics were compared based on 5 base points which are GDP, Industrial production, Consumer price index, Rates of Unemployment and S&P Stock price index.

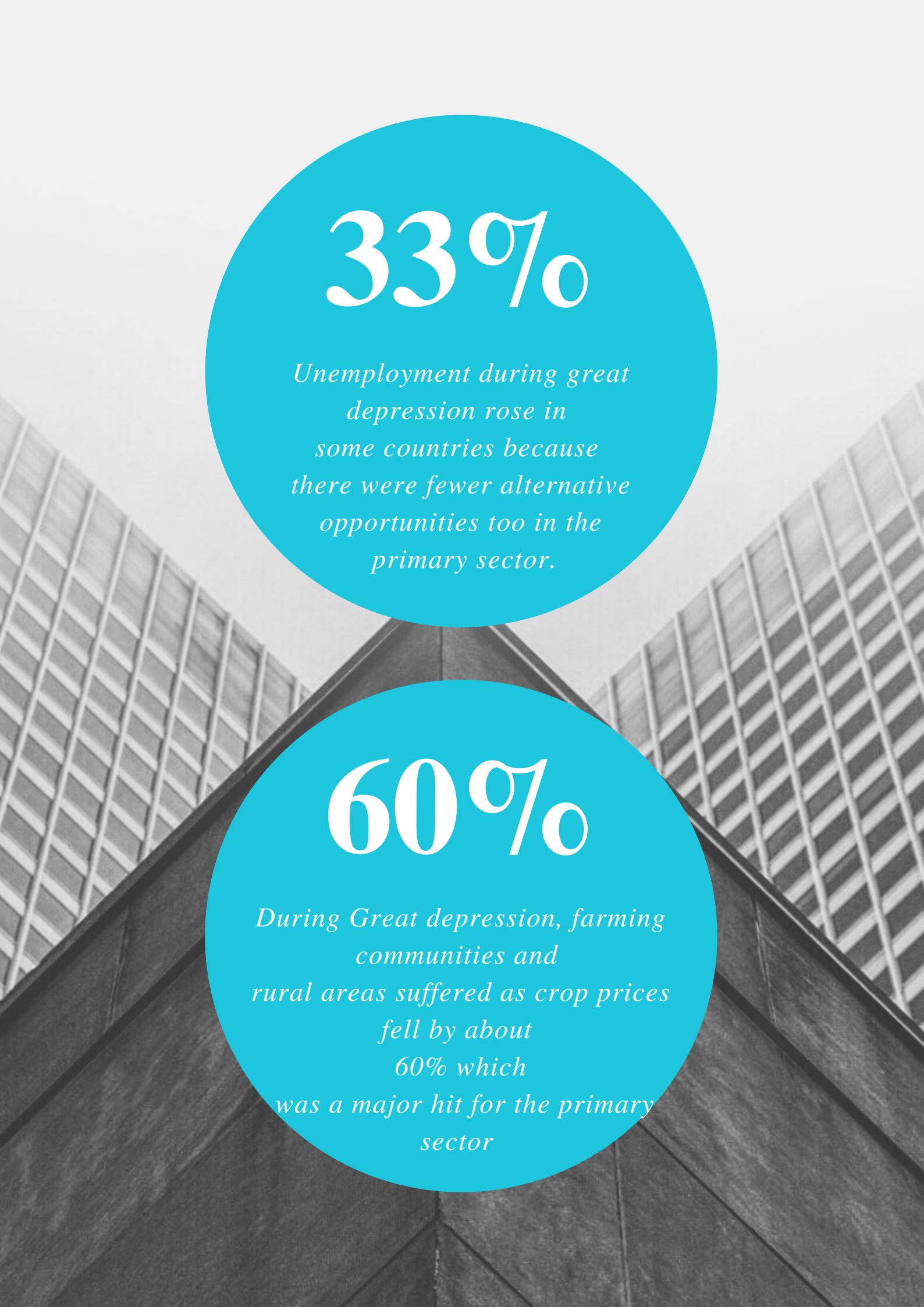
GDP analysis clearly indicates that the impact of COVID-19 on the global economy during was greater than that during the Great Depression. Similar to the GDP comparison, the IP had a steep fall in the first 2 months of COVID-19 as compared to the Great Depression. Unemployment rate increased during the great depression, but during the covid 19 it saw a drastic fall after a rise for some period. Under the S&P analysis, both the times had different movements in the stock prices and didn't follow a pattern.

INTRODUCTION

Covid 19, a scary pandemic which is a cause of great distress to the entire world. The first known infections were found in Wuhan, China. Initially the disease discovered was named as Corona Virus, but in the year 2020 WHO gave it the name "Covid-19". This pandemic began from 2019 and entered India in 2020. It has harmed and destroyed people's life financially, emotionally and mentally. Economy faced a drastic fall and health was sacrificed alot. This pandemic has costed many people their lives and degraded health. But lately we all the countries worldwide have developed their vaccines approved by the WHO, and we are still in a better position than before. Almost more than 54.4% population of India is fully vaccinated.

Great depression, one of the worst economic downfall in the history. It began in the year 1929 after a major fall in the stock prices, beginning in the United states, and lasting between 1929-1939 among the various countries worldwide. It had devastating effects worldwide. Tax from revenue, personal income, farming industry and rural areas were also badly affected. There was breakdown in the international trade, a vicious cycle of deflation and over indebtedness were the effects of great depression. The common view among economic historians is that the Great Depression ended with the advent of World War II, government spending on the war caused or at least accelerated recovery from the Great Depression, .





33%

Unemployment during great depression rose in some countries because there were fewer alternative opportunities too in the primary sector.

60%

During Great depression, farming communities and rural areas suffered as crop prices fell by about 60% which was a major hit for the primary sector

BACKGROUND

The outbreak of the covid-19 pandemic was in the year 2019, discovered in Wuhan, China. It was a human to human transmission disease which started spreading at a higher pace. From November until December, the WHO office in China came to notice of cases of the pneumonia disease and investigation was set up. Around January 2020, WHO was informed by the Chinese National Health Commission that it had detected a strange type of infection "coronavirus". Gradually it started to spread among the other countries through human transmission of tourists. Italy, USA, Europe and Asia saw rise in cases of coronavirus and deaths caused by it. In October 2020, WHO reported that one in ten people around the world may have been infected, or 780 million people, while only 35 million infections had been confirmed. Soon vaccines started to come up, Pfizer showed 90% effectiveness. All countries had approved their vaccines from the WHO, Covishield was also approved. We saw an outbreak of Delta variant around april 2021, which cause a fear of second wave, but soon towards the end of the year vaccination drives were carried out on a larger scale and situation was handled.

The Great Depression started in 1929 and lasted until the late 1930s. It began in the United States after a major fall in the stock prices. GDP fell by about 15%. It had devastating effects in both poor and rich countries. Countries was virtually halted, areas dependent on primary sector industries suffered the most. In addition, beginning in the mid-1930s, a severe drought severely devastated the agricultural heartland of the U.S. Consumer prices played a great role in turning deflation to a mild inflation, industrial production reached a worst point before it began to rise in March 1933, and investment doubled in 1933 with a turnaround in March 1933. The recession of 1937–38 paced down the economic recovery from the Great Depression. Women played a major role in coping up with the difficult times. In rural and small working areas, women expanded their farming of vegetable farms to manage and produce as much food production as possible. Housewives managed the shortage of money supply during these times. The government spending on the World war II speeded up recovery from the Great Depression, it also helped in reducing unemployment. Various measures taken made it possible to come out of the great depression in 1939-1940.



Complete research was done about both the topic areas namely covid 19 and great depression.

Literature review is a part of extreme interest and was the last research carried out.

Graphical analysis was done for different factors separately.

Base points for comparison were identified and both the pandemics were compared based on these points.

Introduction and background gives insights about research paper.

Methodology

We have gathered information from a number of sources, and by making a proper analysis for the same we made several comparisons. Information gathered is from reliable sources and nothing has been directly copied, but just referred, learnt, studied, analysed and then has been put in the research paper.

Literature Review

"The Great Depression" 1929-1939 by Pierre Berton.

Originally published in 1990, this book gives insights into events that took place during 1929-1939. It discusses the actions and responses of businesses, law enforcement personnel, and politicians.

A number of laws were put into place to suppress any acts of dissent. Section 98 banned unlawful assemblies and authorized the use of law enforcement as a means to suppress social discontent. Berton argues that communists used the unemployed masses to further their own political agenda.

Canada and the United States each dealt with the Depression differently, and Berton's book contributes to the argument that governments didn't do enough to help people cope with widespread unemployment and the disheartening mood of the time.

Pierre Berton's *The Great Depression* offers a picture of Canada's response to the economic collapse. It asks how the basic needs of thousands of Canadians resulting from the collapse were addressed by both the national and provincial governments.

DETAILED ANALYSIS

The world today, as we stand in 2022, is under a huge economic, social and political turbulence caused by the global pandemic, the SARS Covid-19. The pandemic that started in China and soon spread to Europe, the USA, Asia and Australia and New Zealand, Africa, South America alike brought the world to a standstill from the beginning of year 2020 till end of year 2021 with the year 2022 showing some signs of recovery after the rapid penetration of vaccination across all the affected countries.

This, once in a century economic and socio-political situation is being compared to the Great Depression of 1929. The Great Depression was the worst economic downturn or recession in the past two centuries, and the reference documented is in two phases, one in 1929 and the other in 1935, eventually ending in 1939 before the World War II began. The trigger for this recession was the stock market crash that occurred in October 1929. While parametric documentation is not available accurately for the period before the decade of the 1960s, we have used available references here from different economic research material available, to compare these two massive economy disrupting global events.

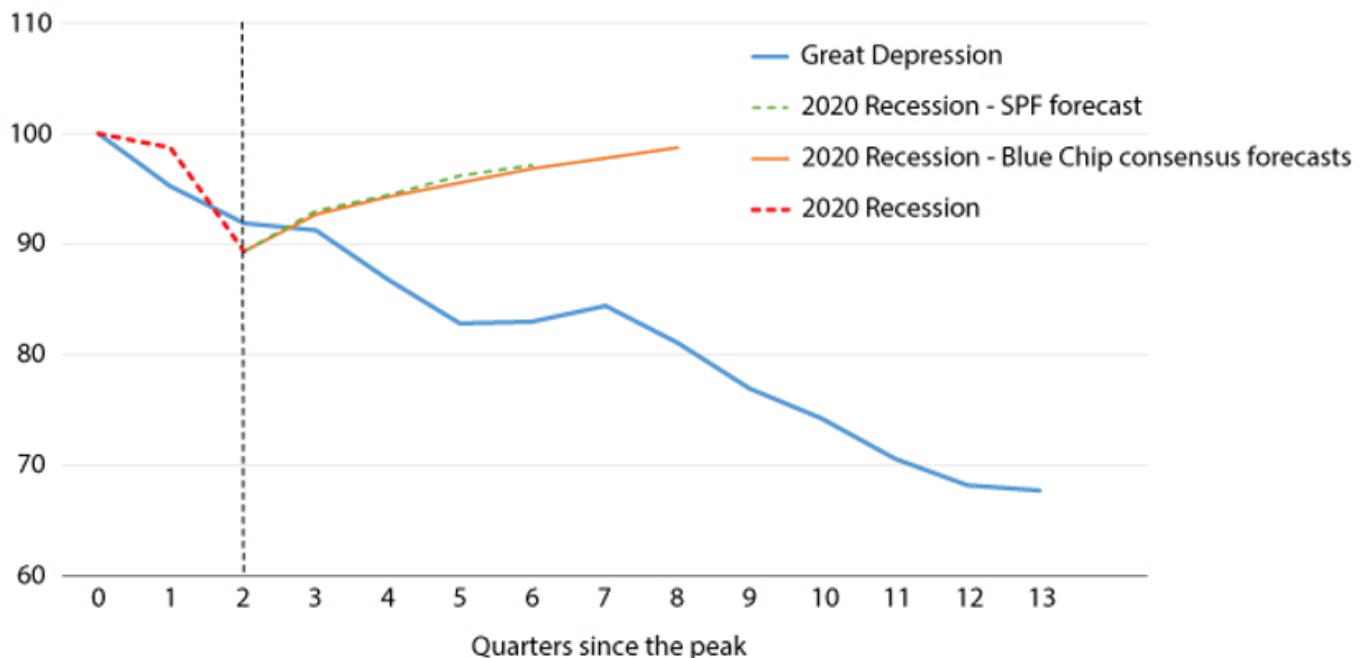


Comparison in terms of GDP

Figure 1

Real GNP/GDP

Real GNP/GDP index (1929:Q3 = 2019:Q4 = 100)



NOTE: SPF, Survey of Professional Forecasters. The dashed vertical line indicates the start of forecast data for the 2020 recession. SOURCE: Balke and Gordon (1986); FRED, Federal Reserve Bank of St. Louis; Haver Analytics®; Federal Reserve Bank of Philadelphia; and author's calculations

- Figure 1 above plots the real GNP (Gross National Product) series for the Depression alongside the path of real GDP from the fourth quarter of 2019 through the first two quarters of 2020.
- The graph clearly indicates that the impact of COVID-19 on the global economy during the first 2 quarters was greater than that during the Great Depression. Also, the fall due to COVID-19 was steeper during the 1st two quarters.
- However, from Quarter 3 onwards, the global economy showed a somewhat 'blunt V' shaped or 'U' shaped recovery continuing into the end of 2020 and through 2021. This was drastically different from the situation during the Great Depression where the fall in economy continued for three years at a stretch.

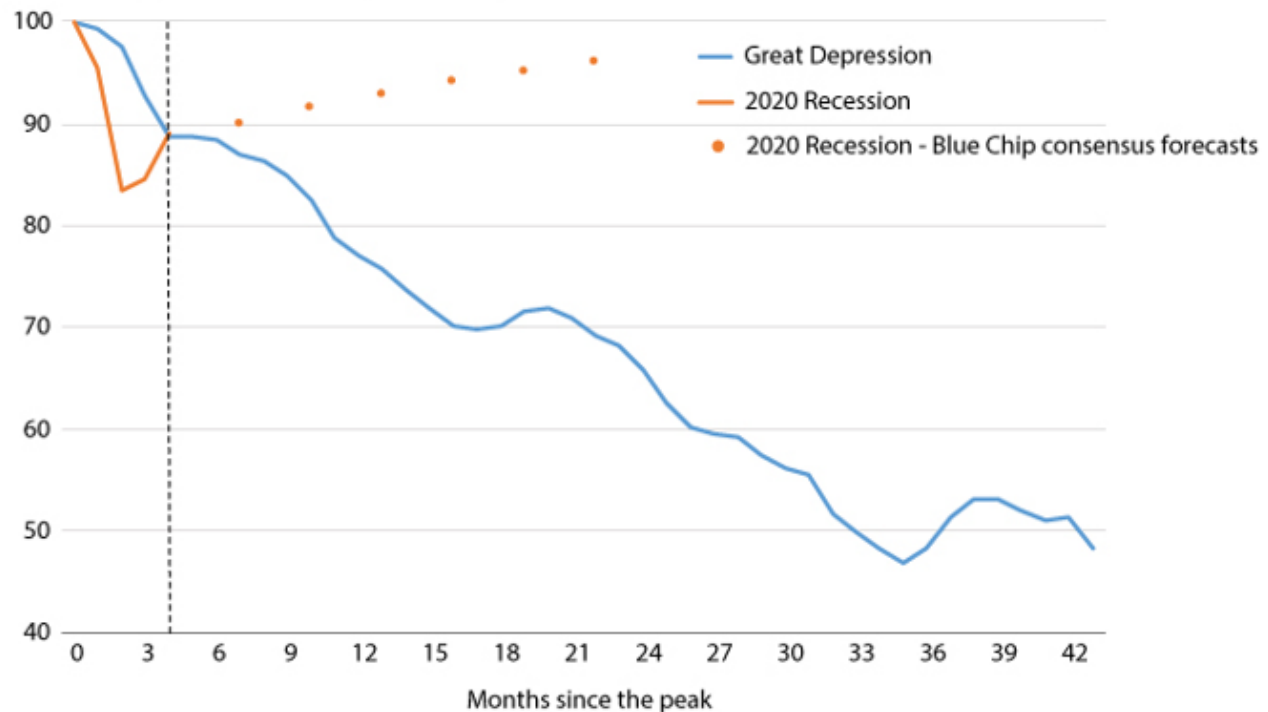
In spite of the global economy having shown signs of recovery, in most cases, it is still below the normal economic periods before the pandemic.

Comparision in terms of Industrial Production

Figure 2

Industrial Production

IP index (August 1929 = February 2020 = 100)



NOTE: The dashed vertical line indicates the start of forecast data for the 2020 recession.

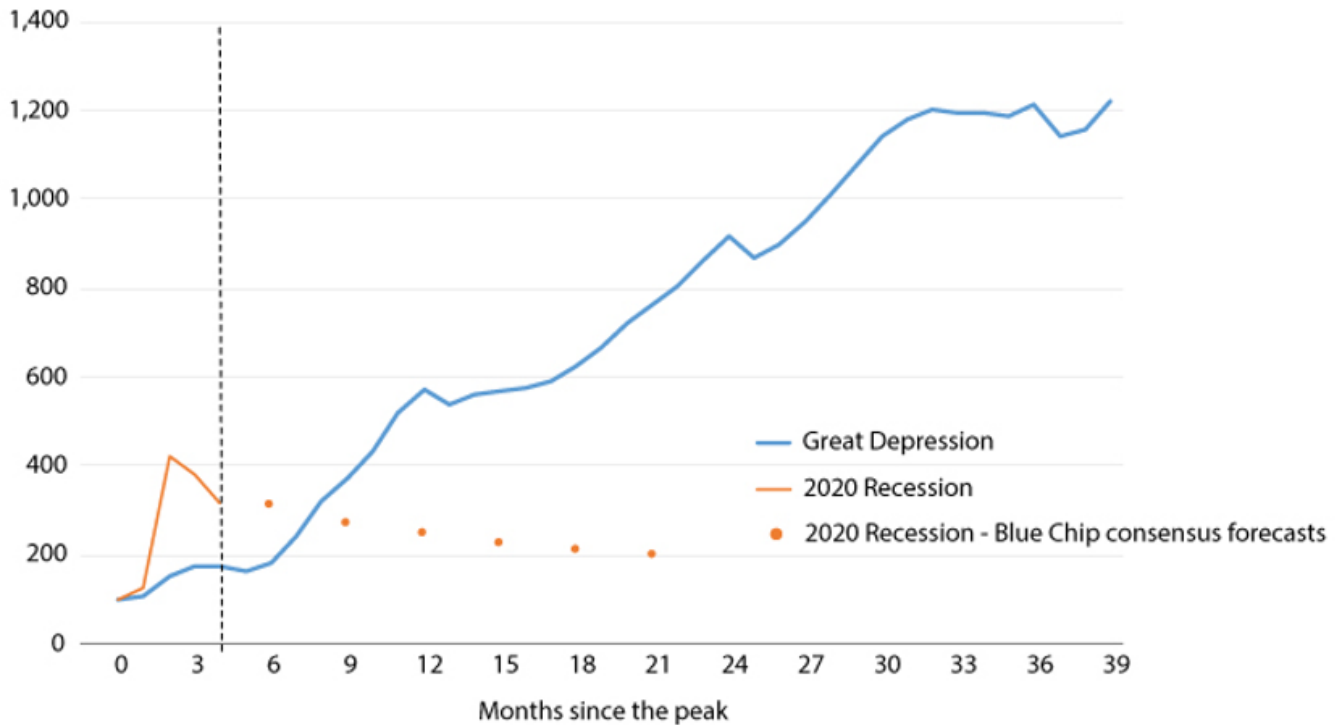
SOURCE: FRED®, Federal Reserve Bank of St. Louis; Haver Analytics®; and author's calculations.

The Index of Industrial production is a consistently measured indicator of economic activity (IP). Similar to the GDP comparison shown above, the IP had a steep fall in the first 2 months of COVID-19 as compared to the Great Depression. However, after 2 months, the IP during the Great Depression continued to decline and remained so until the end of the period, which lasted for almost 9 years until the World War II. In the modern world, however, the advancement in technology whether in terms of awareness or production of vaccinations and measures to control the pandemic, across the globe, have resulted in a quicker recovery in industrial production. Although it has remained lower as compared to the period before the pandemic, it is certainly on the uphill path.

Comparison in terms of Rates of Unemployment

Figure 3
Unemployment Rate

Unemployment rate (December 1929 = February 2020 = 100)



NOTE: The dashed vertical line indicates the start of forecast data for the 2020 recession.
SOURCE: FRED®, Federal Reserve Bank of St. Louis; Haver Analytics®; and author's calculations.

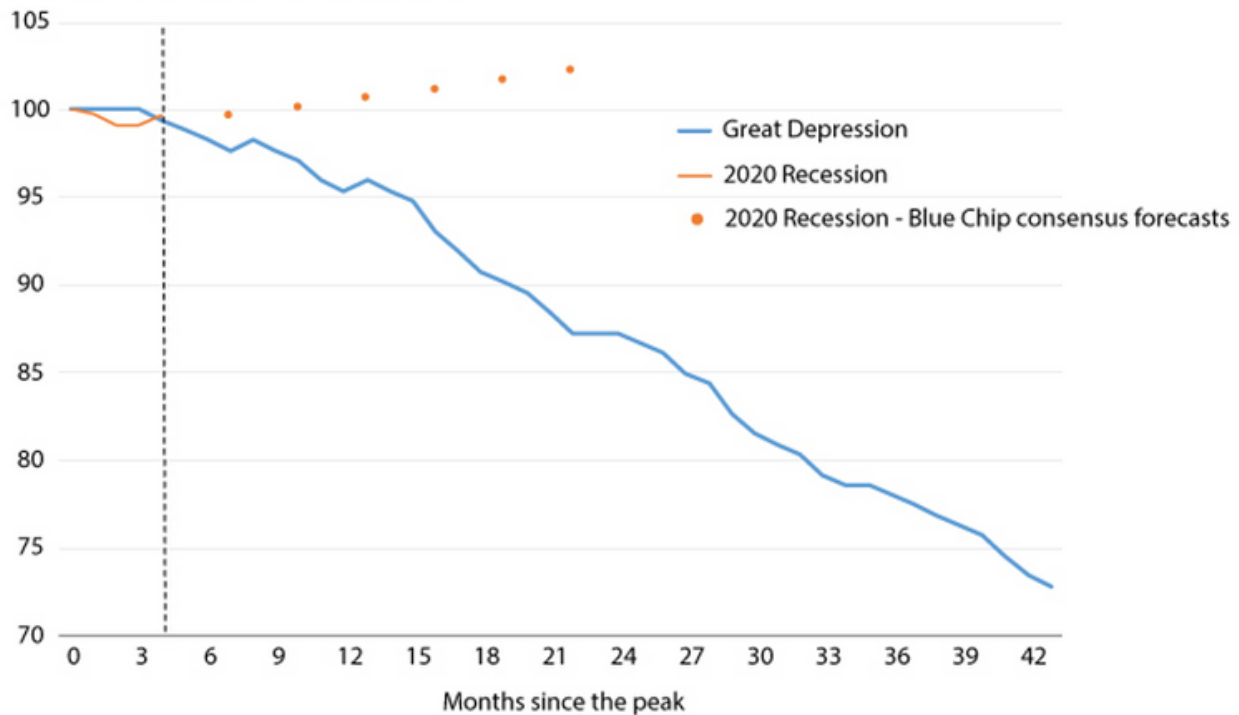
- Another indicator of economic health of a country is the rate of unemployment. As COVID-19 imposed a forced lockdown, many businesses including large and small scale, had to close down temporarily or forever, resulting in a snowballing effect on both skilled and unskilled employment in organized and unorganized sectors.
- The steep rise in unemployment during COVID-19 during the first 2 quarters of 2020 was a result of the uncertainty and panic caused by the pandemic. This is different as compared to the gradual rise in unemployment during the Great Depression.
- Like the other economic indicators, the Figure 3, which is a reflection of the unemployment rate during the COVID-19 pandemic and the Great Depression, the unemployment rate has clearly reduced after the initial shock during COVID-19, indicating that the economy was approaching the path of recovery.

Comparision in terms of Consumer Price Index

Figure 4

Consumer Price Index

CPI (August 1929 = February 2020 = 100)



NOTE: The dashed vertical line indicates the start of forecast data for the 2020 recession.

SOURCE: FRED®, Federal Reserve Bank of St. Louis; Haver Analytics®; and author's calculations.

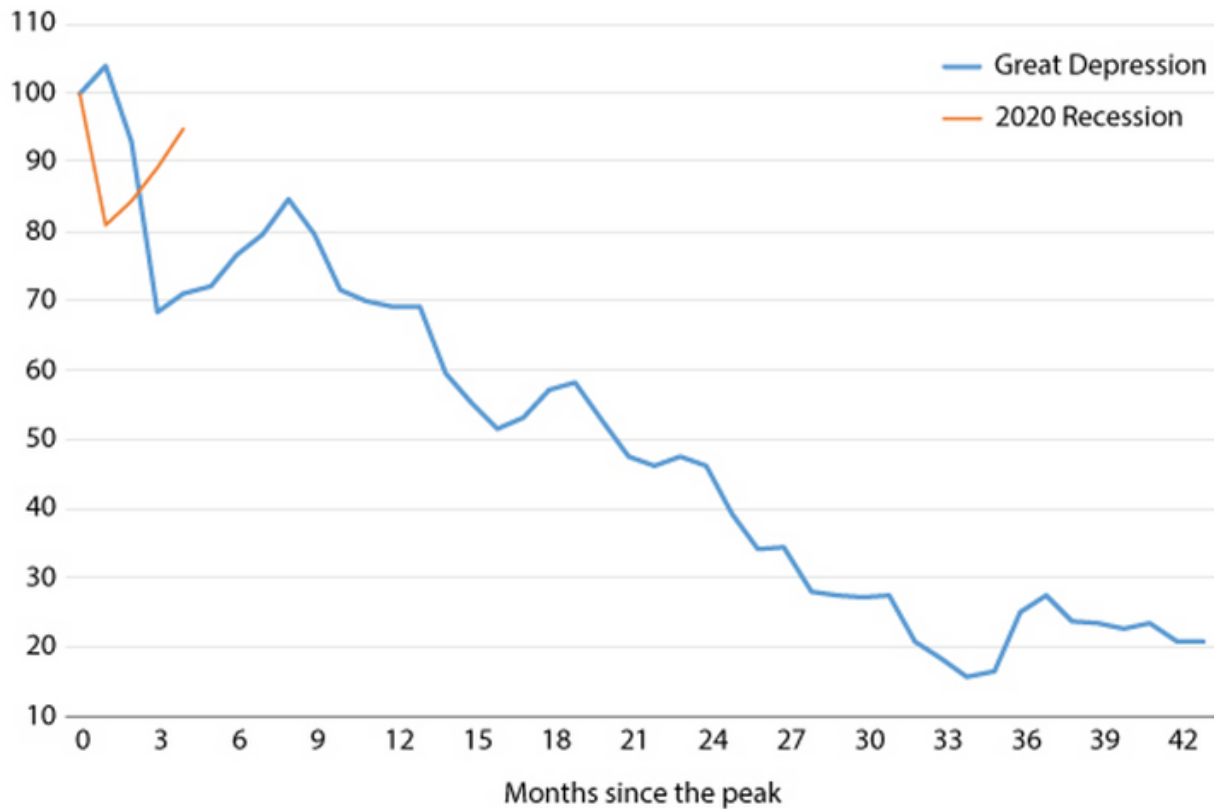
Continuing with the trend in the parameters discussed above, the consumer price level also dropped significantly during the Great Depression, as shown in Figure 4.

The difference, however, between the other economic indicators and the CPI trends, is that during the Great Depression, we observe a flattened CPI before the fall during the Great Depression, whereas during COVID-19, the trend is almost similar to other economic factors, namely, a steep decline followed by a recovery after the 3rd quarter.

Comparision in terms of S&P Stock price index

Figure 5
S&P 500

S&P 500 (August 1929 = February 2020 = 100)



SOURCE: Haver Analytics® and author's calculations.

The stock price index during the Great Depression and the pandemic in 2020, demonstrate an opposite trend. During the Great Depression, the stock prices initially rose in the 2nd month of 1929 and then sharply fell in the 3rd month and thereafter, reflected a V shaped trend throughout the Great Depression. However, they could never reach the 1929 levels. On the contrary, during COVID-19, the stock prices fell initially and then showed an upward trend, even exceeding pre COVID-19 levels.



CONCLUSION

It can be observed that the 2 phenomenon were different from each other in acute way. During the Great Depression of 1929 , money supply and credit extension was affected whereas right now , in the Covid 19 pandemic we can see that these variables have not been severely affected . Governments across the country tried their best to not let the pandemic affect the economy by boosting demand . Indias stock market index , hit its highest levels during the pandedmic. Though the economies worldwide faced a severe shock in the shorter term which was combatted in the best possible at country level, great depression left a long lasting impact which left the world in a ‘recession’ .

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THANKYOU.