Fig 1: The Great Depression in the U.S.
Source: Economic Reports of the President, Historical Statistics

Fig 2: The Great Depression in the U.S.
Fig 3: Holy Panicky Private Sector Batman!
Source: Economic Reports of the President

Fig 4: The Crash, ΔAD or ΔSRAS?
Source: Economic Reports of the President
Fig. 5: What Happened to Nominal Wages?
NBER Macrohistory Database, series 08061c

Nominal Wage Index (1926 = 100)

Nominal Wage Index (1926 = 100)

Fig. 6: The Recovery, ΔAD or ΔSRAS?
Source: Economic Reports of the President
Fiscal Policy and the Great Depression

What Keynes Would Recommend

1) First, do no harm.
Allow automatic fiscal policy, i.e. don’t fight the rising actual deficits.

2) Take active fiscal policy steps to save the patient.
Pursue expansionary discretionary fiscal policy; i.e. increase the structural deficit.

What Actually Happened

1) Let’s fight these rising actual deficits!
2) Let’s pursue contractionary discretionary fiscal policy; i.e. decrease the structural deficit.

Fig. 7: The Role of Fiscal Policy
Source: Federal Reserve Economic Database

Keynesian Policy

No need to fear! Keynes-Man is here!

Thou shouldst truste me to cure thyne ailements for I be steeped in medical artes of

Man is here!
Figure 8: The Role of (Federal) Fiscal Policy
Source: Pepper, 1973, Explorations in Economic History

Figure 9: Did Monetary Forces Cause the Great Depression?
Source: Economic Reports of the President, Historical Statistics
Fig 1: IS or LM? (Good & Services or Monetary Policy?)

Fig 10: The Role of Monetary Policy
Source: Federal Reserve Economic Database

Fig 11: IS or LM? (Good & Services or Monetary Policy?)
Federal Reserve Economic Database, Economic Reports of the President
Fig 12: IS or LM? (Goods & Services or Monetary Policy?)
Federal Reserve Economic Database, Economic Reports of the President

Fig 13: IS or LM? (Goods & Services or Monetary Policy?)
Federal Reserve Economic Database, Economic Reports of the President
Fig 14: IS or LM? (Goods & Services or Monetary Policy?)
Federal Reserve Economic Database, Economic Reports of the President

Fig 15: The Role of Debt
Source: Historical Statistics of the United States, Colonial Times to 1970
Fig 16: Holy Debt-Deflation Hypothesis Batman!
Source: Historical Statistics of the United States, Colonial Times to 1970

Fig 17: This is More Exciting than Fighting Criminals Batman!
Source: Historical Statistics of the United States, Colonial Times to 1970