Depression 2009: What would it look like?

By Drake Bennett

Theme: Global Economy

Global Research, December 07, 2008
Boston Globe 16 November 2008

Over the past few months, Americans have been hearing the word "depression" with unfamiliar and alarming regularity. The financial crisis tearing through Wall Street is routinely described as the worst since the Great Depression, and the recession into which we are sinking looks deep enough, financial commentators warn, that a few poor policy decisions could put us in a depression of our own.

It's a frightening possibility, but also in many ways an abstraction. The country has gone so long without a depression that it's hard to know what it would be like to live through one.

Most of us, of course, think we know what a depression looks like. Open a history book and the images will be familiar: mobs at banks and lines at soup kitchens, stockbrokers in suits selling apples on the street, families piled with all their belongings into jalopies. Families scrimp on coffee and flour and sugar, rinsing off tinfoil to reuse it and re-mending their pants and dresses. A desperate government mobilizes legions of the unemployed to build bridges and airports, to blaze trails in national forests, to put on traveling plays and paint social-realist murals.

Today, however, whatever a depression would look like, that's not it. We are separated from the 1930s by decades of profound economic, technological, and political change, and a modern landscape of scarcity would reflect that.

What, then, would we see instead? And how would we even know a depression had started? It's not a topic that professional observers of the economy study much. And there's no single answer, because there's no one way a depression might unfold. But it's nonetheless an important question to consider – there's no way to make informed decisions about the present without understanding, in some detail, the worst-case scenario about the future.

By looking at what we know about how society and commerce would slow down, and how people respond, it's possible to envision what we might face. Unlike the 1930s, when food and clothing were far more expensive, today we spend much of our money on healthcare, child care, and education, and we'd see uncomfortable changes in those parts of our lives. The lines wouldn't be outside soup kitchens but at emergency rooms, and rather than itinerant farmers we could see waves of laid-off office workers leaving homes to foreclosure and heading for areas of the country where there's more work – or just a relative with a free room over the garage. Already hollowed-out manufacturing cities could be all but deserted, and suburban neighborhoods left checkerboarded, with abandoned houses next to overcrowded ones.

And above all, a depression circa 2009 might be a less visible and more isolating experience. With the diminishing price of televisions and the proliferation of channels, it's getting easier and easier to kill time alone, and free time is one thing a 21st-century depression would create in abundance. Instead of dusty farm families, the icon of a modern-day depression might be something as subtle as the flickering glow of millions of televisions glimpsed through living room windows, as the nation's unemployed sit at home filling their days with the cheapest form of distraction available.

The odds are, most economists say, we will yet avoid a full-blown depression – the world's policy makers, they argue, have learned enough not to repeat the mistakes of the 1930s. Still, in a country that has known little but economic growth for 50 years, it matters to think about what life would look like without it.

There is, in fact, no agreed-upon definition of what a depression is. Economists are unanimous that the Great Depression was the worst economic downturn the industrial world has ever seen, and that we haven't had a depression since, but beyond that there is not a consensus. Recessions have an official definition from the National Bureau of Economic Research, but the bureau pointedly declines to define a depression.

What sets a depression apart, most economists would agree, are duration and the scale of joblessness. To be worthy of the name, a depression needs to be more than a few years long – far longer than the eight-month average of our recent recessions – and it needs to put a lot of people out of work. The Great Depression lasted a decade by some measures, and at its worst, one in four American workers was out of a job. (By comparison, unemployment now is at a 14-year high of 6.5 percent.)

In a modern depression, the swelling ranks of the unemployed would likely change the landscape of the country, uprooting people who would rather stay where they are and trapping people who want to move. In the 1930s, this took the visible form of waves of displaced tenant farmers washing into California, but it also had another, subtler effect: it froze the movement of the middle class. The suburbanization that was to define the post-World-War-II years had in fact started in the 1920s, only to be brought sharply to a halt when the economy collapsed.

Today, a depression could reverse that process altogether. In a deep and sustained downturn, home prices would likely sink further and not rise, dimming the appeal of homeownership, a large part of suburbia's draw. Renting an apartment – perhaps in a city, where commuting costs are lower – might be more tempting. And although city crime might increase, the sense of safety that attracted city-dwellers to the suburbs might suffer, too, in a downturn. Many suburban areas have already seen upticks in crime in recent years, which would only get worse as tax-poor towns spent less money on policing and public services.

"You could have a sort of desurburbanization phenomenon," suggests Michael Bernstein, a historian of the Depression and the provost of Tulane University.

The migrations kicked off by a depression wouldn't be in one direction, but a tangle of demographic crosscurrents: young families moving back to their hometowns to live with the grandparents when they can no longer afford to live on their own, parents moving in with their adult children when their postretirement fixed incomes can no longer support them. Some parts of the country, especially the Rust Belt, could see a wholesale depopulation as the last remnants of the American heavy-manufacturing base die out.

"There will be some cities like Detroit that in a real depression could just become ghost towns," says Jeffrey Frankel, a Harvard economist and member of the National Bureau of Economic Research committee that declares recessions. (Frankel does not, he emphasizes, think we are headed for a depression.)

At the household level, the look of want is different today than during the last prolonged downturn. The government helps the unemployed and the poor with programs that didn't exist when the Great Depression hit – unemployment insurance, Medicaid, food stamps, Social Security for seniors. Beyond that, two of the basics of existence – food and clothing – are a lot cheaper today, thanks to industrial agriculture and overseas labor. The average middle-class man in the late 1920s, according to the writer and cultural critic Virginia Postrel, could afford just six outfits, and his wife nine – by comparison, the average woman today has seven pairs of jeans alone. So we're less likely to see one of the iconic images of the Great Depression: Formerly middle-class workers in threadbare clothes lining up for free food.

If we look closely, however, we might see more former lawyers wearing knockoffs, doing their back-to-school shopping at Target or Wal-Mart rather than Banana Republic and Abercrombie & Fitch. Lean times might kill off much of the taboo around buying hand-me-downs, and with modern distribution networks – and a push from the reduce-reuse-recycle mind-set of environmentalism – we might see the development of nationwide used-clothing chains.

In general, novelty would lose some of its luster. It's not simply that we'd buy less, we'd look for different qualities in what we buy. New technology would grow less seductive, basic reliability more important. We'd see more products like Nextel phones and the Panasonic Toughbook laptop, which trade on their sturdiness, and fewer like the iPhone – beautiful, cleverly designed, but not known for durability. The neighborhood appliance shop could reappear in a new form – unlicensed, with hacked cellphones and rebuilt computers.

And while very few would starve, a depression would change how we eat. Food costs remain far below what they were for a family in the 1920s and 1930s, but they have been rising in recent years, and many people already on the edge of poverty would be unable to feed themselves on their own in a harsh economic climate – soup kitchens are already seeing an uptick in attendance. At the high end of the market, specialty and organic foods – which drove the success of chains like Whole Foods – would seem pointlessly expensive; the booming organic food movement could suffer as people start to see specially grown produce as more of a luxury than a moral choice. New England's surviving farmers would be particularly hard-hit, as demand for their seasonal, relatively high-cost products dried up.

According to Marion Nestle, a food and public health professor at New York University, people low on cash and with more time on their hands will cook more rather than go out. They may also, Nestle suggests, try their hands at growing and even raising more of their own food, if they have any way of doing so. Among the green lawns of suburbia, kitchen gardens would spring up. And it might go well beyond just growing your own tomatoes: early last month, the English bookstore chain Waterstone's reported a 200 percent increase in the sales of books on keeping chickens.

At the same time, the cheapest option for many is decidedly less rustic: meals like packaged macaroni and cheese and drive-through fast food. And we're likely to see a move in that direction, as well, toward cheaper, easier calories. If so, lean times could have the odd effect of making the population fatter, as more Americans eat like today's poor.

To understand where a depression would hit hardest, however, look at the biggest-ticket items on people's budgets.

Housing, health insurance, transportation, and child care are the top expenses for American families, according to Elizabeth Warren, a bankruptcy law specialist at Harvard Law School; along with taxes, these take up two-thirds of income, on average. And when those are squeezed, that could mean everything from more crowded subways to a proliferation of cheap, unlicensed day-care centers.

Health insurance premiums have risen to onerous levels in recent years, and in a long period of unemployment – or underemployment – they would quickly become unmanageable for many people. Dropping health insurance would be an immediate way for families to save hundreds of dollars per month. People without health insurance tend to skip routine dental and medical checkups, and instead deal with health problems only when they become acute – meaning they get their healthcare through hospital emergency rooms.

That means even longer waits at ERs, which are even now overtaxed in many places, and a growing financial drain on hospitals that already struggle to pay for the care they give uninsured people. And if, as is likely, this coincided with cuts in money for hospitals coming from cash-strapped state and local governments, there's a very real possibility that many hospitals would have to close, only further increasing the burden on those that remain open. In their place people could rely more on federally-funded health centers, or the growing number of drugstore clinics, like the MinuteClinics in CVS branches, for vaccines, physicals, strep throat tests, and other basic medical care. And as the costs of traditional medicine climbed out reach for families, the appeal of alternative medicine would in all likelihood grow.

Higher education, another big expense, would probably take a hit as well. Students unable to afford private universities would opt for public universities, students unable to afford four-year colleges would opt for community colleges, and students unable to afford community college wouldn't go at all. With fewer applicants, admissions standards would drop, with spots that once would have been filled by more qualified, poorer students going instead to wealthier applicants who before would not have made the cut. Some universities would simply shrink. In Boston, a city almost uniquely dependent on higher education, the results – fewer students renting apartments, going to restaurants and bars, opening bank accounts, buying books, taking taxis – would be particularly acute.

A depression would last too long for unemployed college graduates to ride out the downturn in business or law school, so people would have to change career plans entirely. One place that could see an uptick in applications and interest is government work: Its relative stability, combined with a suspicion of free-market ideology that would accompany a truly disastrous downturn, could attract more people and even help the public sector shake off its image as a redoubt for the mediocre and the unambitious.

. . .

In many ways, though, today's depression would not look like the last one because it would not look like much at all. As Warren wrote in an e-mail, "The New Depression would be largely invisible because people would experience loss privately, not publicly."

In the public imagination, the Depression was a galvanizing time, the crucible in which the

Greatest Generation came of age and came together. That is, at best, only partly true. Harvard political scientist Robert Putnam has found that, for many, the Depression was isolating: Kiwanis clubs, PTAs, and other social groups lost around half their members from 1930 to 1935. And other studies on economic hardship suggest that it tends to sap people's civic engagement, often permanently.

"When people become unemployed in the Great Depression, they hunker down, they pull in from everybody." Putnam says.

That effect, Putnam believes, would only be more pronounced today. The Depression was, famously, a boom time for movies – people flocked to cheap double features to escape the dreariness of their everyday poverty. Today, however, movies are no longer cheap. Nor is a day at the ballpark.

Much of a modern depression would unfold in the domestic sphere: people driving less, shopping less, and eating in their houses more. They would watch television at home; unemployed parents would watch over their own kids instead of taking them to day care. With online banking, it would even be possible to have a bank run in which no one leaves the comfort of their home.

There would be darker effects, as well. Depression, unsurprisingly, is higher in economically distressed households; so is domestic violence. Suicide rates go up in tough times, marriage rates and birthrates go down. And while divorce rates usually rise in recessions, they dropped during the Great Depression, in part because unhappy couples found they simply couldn't afford separation.

In precarious times, hunkering down can become not simply a defense mechanism, but a worldview. Grant McCracken, an anthropologist affiliated with MIT who studies consumer behavior, calls this distinction "surging" vs. "dwelling" – the difference, as he wrote recently on his blog, between believing that the world "teems with new features, new things, new opportunities, new excitement" and thinking that life's pleasures come from counting one's blessings and appreciating and holding onto what one already has. Economic uncertainty, he argues, drives us toward the latter.

As a nation, we have grown very accustomed to the momentum that surging imparts. And while a depression remains far from inevitable, it's as close as it has been in a lifetime. We might want to get a sense for what dwelling feels like.

Drake Bennett is the staff writer for Ideas. E-mail drbennett@globe.com .
