



## **A Tale of Two Depressions: October 2009 Update**

By Barry Eichengreen\* and Kevin H. O'Rourke\*

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*This is an update of the authors' [4 June](#) and [6 April](#) 2009 columns comparing today's global crisis to the Great Depression. World industrial production, trade, and stock markets are now showing signs of recovery. Still – today's crisis remains dramatic by the standards of the Great Depression.*

**Editor's note:** The original Vox column by Barry Eichengreen and Kevin O'Rourke shattered all Vox readership records (30,000 views in two days, over 100,000 in a week, now fast approaching 350,000). Here the authors provide updated charts, presenting monthly data up through June 2009 (or latest).

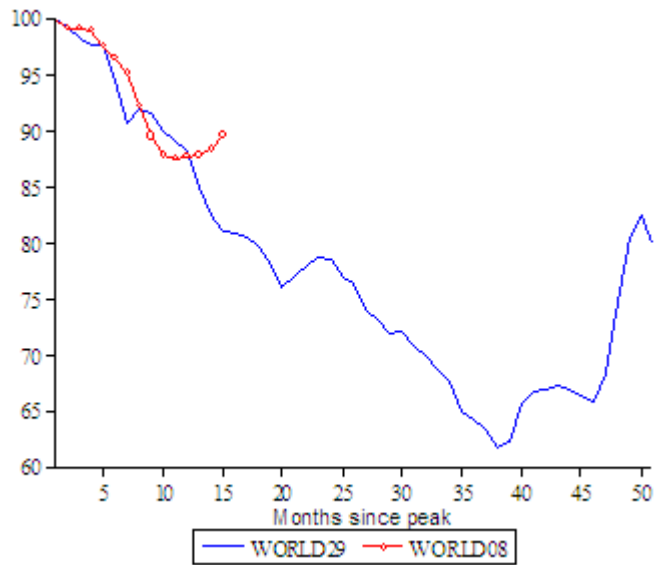
### **What do the new data tell us?**

- Global industrial production now shows clear signs of recovering.

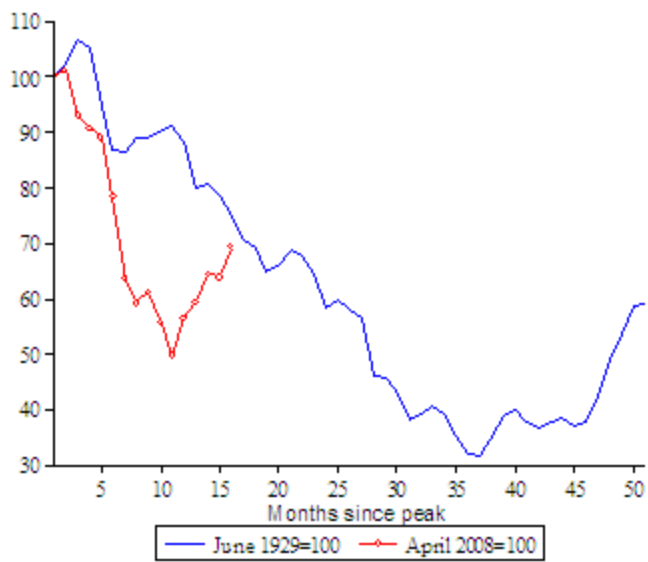
This is a sharp divergence from experience in the Great Depression, when the decline in industrial production continued fully for three years. The question now is whether final demand for this increased production will materialize or whether consumer spending, especially in the US, will remain weak, causing the increase in production to go into inventories, leading firms to cut back subsequently, and resulting in a double dip recession.

- Global stock markets have mounted a sharp recovery since the beginning of the year. Nonetheless, the proportionate decline in stock market wealth remains even greater than at the comparable stage of the Great Depression.
- The downward spiral in global trade volumes has abated, and the most recent month for which we have data (June) shows a modest uptick. Nonetheless, the collapse of global trade, even now, remains dramatic by the standards of the Great Depression.

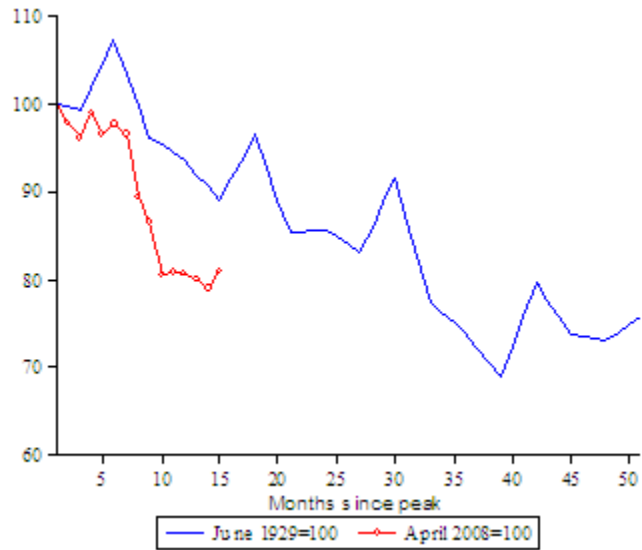
**Figure 1.** World industrial production, now v. then



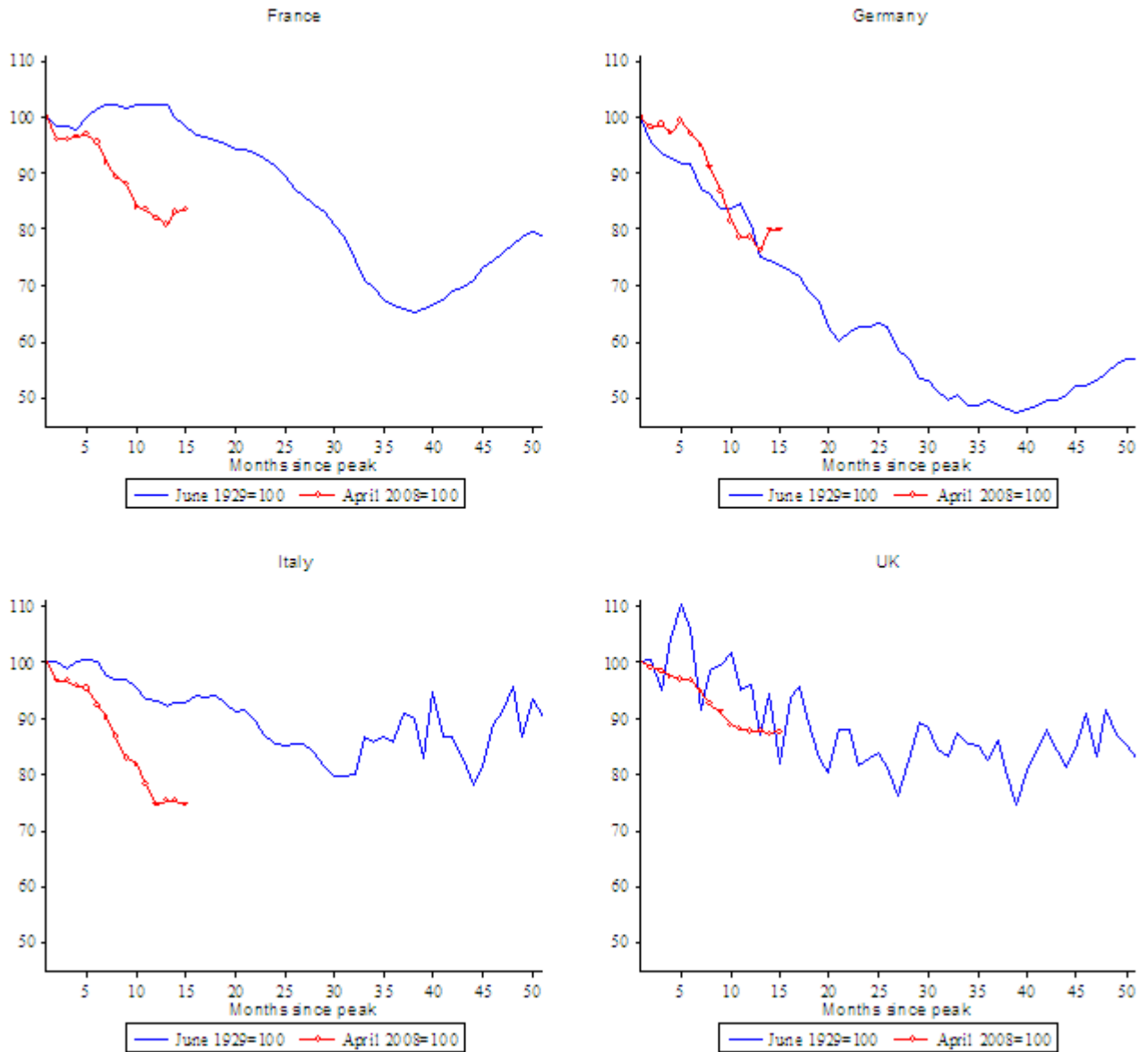
**Figure 2.** World stock markets, now v. then



**Figure 3.** Volume of world trade, now v. then



**Figure 5.** Industrial output, four big Europeans, then and now



**Figure 6.** Industrial output, four non-Europeans, then and now



**Figure 7.** Industrial output, four small Europeans, then and now





## References

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