The Great Depression

Depression: A time of low economic activity, distinguished from a recession [hyperlink] by being prolonged and sustained, characterised by continuing falls in output, high and rising unemployment and companies burdened with unsold stocks [hyperlink] because demand is low. 

Edna Carew, *The Language of Money: 3* [hyperlink]

Unemployment in Australia

The Great Depression (1929-32) was a time of extreme hardship for people in Australia. For many people this period began before the market crash in prices and lasted until the Second World War (1939-1945).

Even before the devastating stock market crash on Wall Street (the centre of stock market trading in New York, United States of America), unemployment in Australia was already at ten per cent. The Wall Street crash [hyperlink] in October 1929 signalled the beginning of a severe depression for the whole industrialised world.

After the crash unemployment in Australia more than doubled to twenty-one per cent in mid-1930, and reached its peak in mid-1932 when almost thirty-two per cent of Australians were out of work.

A contributing factor was the visit in 1930 by Sir Otto Niemeyer [hyperlink] from the Bank of England who visited Australia to advise governments to implement a deflationary policy. Niemeyer contended that wages must be 'depressed' (i.e. cut) to make exports more competitive and to raise profits. Niemeyer advised savage cuts in all existing social services. More significantly Niemeyer demanded that Australia not default on her international loan obligations to Britain. This created great political differences and resulted in the Premier of New South Wales, Jack Lang, being dismissed when he refused to pay the loan obligations.

What caused the Great Depression?

The ultimate cause of the Great Depression is still the subject of debate by economists [hyperlink]. Although the collapse of the New York Stock Exchange determined its timing there were several factors involved:

A fall in export prices and sales
A fall in overseas loans leading to a reduction in government capital [hyperlink] spending
A fall in residential construction
At the time, privately owned banks controlled Australia's monetary policy (http://www.invesco.com.au/web/webdict.nsf/l0okuptermall/monetarypolicy/opensdocument) and the country relied heavily on borrowing money from other countries to bring in new investment. When the banks refused to extend overdrafts (http://en.wikipedia.org/wiki/Overdraft) to Australia the government began selling off gold reserves.

Social impact

The Great Depression's impact on Australian society was devastating. Without work and a steady income many people lost their homes and were forced to live in makeshift dwellings with poor heating and sanitation.

A Great Depression survivor recalls the hardship:

People were forced into all sorts of tricks and expediencies to survive, all sorts of shabby and humiliating compromises. In thousands and thousands of homes fathers deserted the family and went on the track (became itinerant workers), or perhaps took to drink. Grown sons sat in the kitchen day after day, playing cards, studying the horses [betting on horse racing] and trying to scrounge enough for a threepenny bet, or engaged in petty crime, mothers cohabited with male boarders who were in work and who might support the family, daughters attempted some amateur prostitution and children were in trouble with the police.


Other social consequences of the Great Depression included:

working class children consistently leaving school at thirteen or fourteen years old

married women carrying a greater domestic burden: home-making was still considered a woman's role, so even if a woman had worked all day scrubbing floors to bring in some money, her unemployed husband would still expect her to cook dinner and keep the house in order

jobs being easier to find for young people, but the work had little future career prospects and many young workers were sacked by the time they turned sixteen, eighteen or twenty-one years of age

migrants, particularly those from Italy and southern Europe, being resented because they worked for less wages than others despite having relatively little in the way of family or friends to call on for help.

Political consequences

During the Great Depression, many Australians lost confidence in the abilities of their government representatives. A number of radical or extremist organisations gathered strength and popularity as a result of the large-scale public dissatisfaction.

In Australia's rapidly developing new capital city of Canberra, building construction came to an abrupt halt, leaving a population of 7,000 in limbo. Workers were laid off and the body responsible for developing the city, the Federal Capital Commission, was abolished.

Sydney Harbour Bridge


The Labor premier of New South Wales Jack Lang, was to open the bridge by cutting a ribbon at its southern end. However, Colonel Francis De Groot, a Dublin-born antique dealer and member of the New Guard, formed in 1931 in opposition to Labor, dramatically intervened on horseback by slashing the ribbon with his sword ([link]http://www.news.com.au/daytelegraph/story/0,22049,21401930,00.html) and declaring the bridge open. The ribbon was hurriedly retied and Lang performed the official opening ceremony.

Prime Ministers during the Great Depression

**Labor Prime Minister James Scullin** ([link]http://www.nma.gov.au/education/school-resources/websites-and-activities/prime-ministers/james-scullin.html) was Australia's first Catholic Prime Minister and the first to be of Irish descent. He came to power on 22 October 1929, just a week before the stock market crash in Wall Street. His reign lasted until 6 January 1932 and was plagued by the extremely hard economic conditions and internal political problems within the Australian Labor Party ([link]http://www.alp.org.au/) (ALP).

**Former Tasmanian Premier Joseph Lyons** ([link]http://www.nma.gov.au/education/school-resources/websites-and-activities/prime-ministers/joseph-lyons.html) was a minister in Scullin’s government during the Depression and was responsible for the portfolios of Postmaster-General, and Works and Railways. He advocated an economic policy that included a balanced budget and reduction in government spending, which was rejected by the ALP Caucus.

After resigning from Cabinet on 26 January 1931, Lyons defected from the ALP to a movement called the 'All For Australia League', which later became the United Australia Party (UAP). With Lyons as leader, the new UAP contributed to the demise of the Scullin Labor government and Lyons became Prime Minister on 6 January 1932.

Meanwhile, in the important state of New South Wales, Labor Premier Jack Lang ([link]http://www.parliament.nsw.gov.au/prod/parlment/members.nsf/0/1bc554071d7a4c2bca256cb7001732d0f/OpenDocument) had proposed a plan to maintain wages and use loans to create public works. His economic 'Lang Plan' of 1931 had been rejected by the Scullin federal Labor government and contributed to the internal crisis in the ALP.

Lang had decided to withhold interest payments on British loans, in open defiance of the federal government, although other countries were also withholding payments. Prime Minister Lyons stepped in and paid the interest owing, then passed a bill to recover the money from New South Wales. The Governor General of New South Wales, Philip Game, dismissed Lang on 13 May 1932.
Lyons was able to bring stability to government after the difficulties associated with the impact of the Great Depression and internal problems within the ALP. He held the UAP together for seven years and remained in power until he died in office on 7 April 1939. He was one of the longest-serving Prime Ministers in Australian political history.

Getting Australia working again

At the time leading up to the Great Depression, the federal government did not have a centralised unemployment assistance program. Other than relief from charities and a patchwork of agencies and private organisations, destitute people had to rely on employment projects (http://guides.naa.gov.au/working-for-the-dole/chapter1/index.aspx) and public works projects (http://guides.naa.gov.au/working-for-the-dole/chapter6/index.aspx) often funded by state government loans from overseas.

After the Wall Street crash, the federal government allocated 1,000,000 to the states to provide relief to the unemployed. It was hoped that the money - to be used for road works - could also free up funds to help the unemployed in other areas. But the numbers of unemployed continued to grow.

In July 1930, a further 1,000,000 was made available to the states for proposed public works (only projects that turned enough of a profit to cover interest repayments on loans were accepted), followed by another 500,000 in December of that year. Most of the work generated was hard manual labour. The narrow road built to the summit of Mount Wellington in Tasmania is an example of the kinds of projects unemployed Australians were carrying out.

The recovery

James Scullin's Labor government, with its internal party disputes and deflationary economic policy, was unable to bring much relief from the Great Depression. By the time his government was voted out in early 1932, Australia had felt the effects of the economic disaster more than other nations around the world.

Even after the Lyons' UAP came to power, recovery in Australia was slow. Under the more conservative rule of Lyons, Australia reestablished its ties with Britain and sought to follow its lead in solving the economic problems. Trade deals with the United States and Japan were dropped in favour of Britain and Australia tended to follow Britain's policy of appeasement in order to prevent war with fascist powers in Europe.

As Wendy Lowenstein writes, depressions do not have a distinct beginning and end, and individuals experience economic hardships in very different ways.

_A bush worker remembers: 'Depression! There's always been a depression in Australia as far back as I can remember. I was walking the country looking for work from the end of the First World War until the start of the Second, till 1939!'_


Useful links

Australia, 1930: an inaugural lecture (http://socserv.mcmaster.ca/%7Eecon/ugcm/3113/giblin/australi.htm) - Professor LF Giblin