

ABSTRACT: “The Defining Moment Hypothesis: The Editors’ Introduction”

There is a widely held belief that the Great Depression was the “defining moment” in the development of the American economy. According to this view, the severity and length of the depression altered the basic rules, institutions, and attitudes governing the economy. Considerable evidence bolsters this view: the growth of government as a share of GNP accelerated in the 1930s; the relationship between the federal government and state and local governments was irrevocably altered around 1935; transfer policies were adopted on a large and national scale in 1935; and after World War II the federal government declared that it would be responsible for the economic health of the nation. But was the Great Depression a “defining moment” in the manner thought?

The volume we have edited offers testimony to the legacy of the Great Depression. Without the depression, there would not have been a flood of New Deal-style legislation. Some innovations would have occurred following the dictates of economic growth, the two world wars, and the nation’s political economy. But, lacking the catalyst that jarred public attitudes and demanded action, the new economic institutions would have been more modest and different in character. The large role of today’s government and its methods of intervention—from the pursuit of more activist monetary policy to the maintenance and the extension of a wide range of insurance for labor and business—derive from the crisis years of the 1930s. Not all programs inaugurated by the New Deal have survived. But the basic imprint of the defining moment is still visible.