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Expectations and Forecasting during the Great Depression: Real-Time Evidence from the Business Press

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Abstract

How was the Great Depression viewed in real time? This paper yields a new perspective on this question by quantifying the qualitative statements of economic analysts in the business press and at the Federal Reserve Board. We compare the statements of economic analysts about current and future conditions to what actually happened to the American economy in the Great Depression. While Depression-era economic forecasters were able to accurately assess what was happening contemporaneously in the economy, forecasters were persistently optimistic that “the corner had been turned” and that a strong recovery was imminent even as the economy continued to decline. This optimism was based on the use of analogies and forecasting rules-of-thumb of how an economy should behave, which were derived from the experience of previous recessions (Haney 1931).

Key Words: Great Depression, Qualitative Forecasts, Business Expectations

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