

WHICH BUSINESS INDUSTRIES WILL SURVIVE IN THE NEXT ECONOMIC CRISIS?

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Abstract

The research explores that which business industries will survive in the future economic crisis. Three world crisis that happened within 100 years the Great Depression, the second World War and the Great Recession help the study to identify stronger business sector. Different crisis provided various difficulties and challenges for businesses and most of them could not survive even the whole industries stopped to operate for a while. However, there is a stronger industry which always gets out of crisis with better financial statistics. Radio-electronics in the Great Depression and World War2 and electronic manufacturing in the Great Recession suffered less than other sectors. The research shows that electronics manufacturing industry will be one of survival sphere in the next world recession.

Keywords: the Great Depression, survival rate, the Great Recession, industries, crisis.

Introduction

In this article we generally discussed about world recessions by investigating reliable sources and gathered relevant data for our research on industries which has highest survival rate during recession period. The article includes the three major recessions including their causes how they started and their effects on businesses. About how it all happened, statistics including the type of industries during crisis. After clearly referencing all the research results then there is an analysis part where we made a ranking table of which industry has higher survival rate by comparing and analyzing them. The work ends with a conclusion part where we discussed about overall what is done and the outcome of the research.



How the Great Depression started?

The US was a real winner of WW1 among other winners. Economy was booming because of mass production, innovations, high employment rate and massive gold reserve. They were selling goods to Europe and all other part of the world like electronics, automobiles, appliances (vacuum cleaner and washing machine) and radio. The country was experiencing the lowest unemployment rate 3.2 percent in 1929. For the comparison, unemployment rate reached 25 percent (it did not include in farmers) during the great depression in the US (Gene Smiley, 2018).

Agriculture of the USA was boom during the WW 1. The government gave a lot of free agricultural lands to citizens for debt to producing goods more than demand in the country as they focused on exporting. For instance, export volume of the country in agricultural goods boosted to almost \$5 billion in 1919 and it meant 199.9% increase at that moment (Federal Reserve bank of St. Louis, p.952, 1919). After ending war, farmers continued to produce the amount that they used to make during war and more than 50% of goods was intended for exporting. Countries started to use their own producing goods and some tariffs were put for exporters. It resulted in inflation so farmers had to burn crops as a fuel and exchange occurred like 12 pounds butter and twelve dozen eggs for one pair of shoes (Jason L. Ruffing, p.10-11, 2014).

Before the Great depression started, the US banks financed three main things such as new businesses (mainly manufacturing electronics and home appliances, radio and automobiles), individuals (investment in stock market) and banks in Europe. All European countries was undergoing difficult days after WW1 but there were the Roaring twenties in the US. In order to recover economic balance in the continent, the USA became the biggest creditor in the world and started to make investment in countries in Europe.

The stock market got popular among citizens of the US so everyone (farmers, constructors, entrepreneurs, doctors and lawyers) began to purchase stocks. Even they got bank loans for buying more stocks (a stock that was worthy for \$1 stood 10 cents) because it was easiest way to make money. Popularity of stocks widespread to other countries so foreigners and even some European banks bought stocks. Federal Reserve was going to cool down the growth of stock value so they increased credit interest. After that, Dow Jones industrial Index decreased considerably and stock lost its value 20 percent in 29th October 1929. It caused panic in the stock market so everybody rushed to sell their stocks for less price. American central bank brought back its investment in European banks then they left without funds. Stock holders sold their stock less than their value and citizens could return only 10 cents for each \$1 in their bank account. Production decreased significantly (GNP decreased by 30%) as buying power fall down and people did not have money and job (unemployment rate in the US was 25% and it was higher than any other nations like the UK the number was 17.6 in 1932) (Robert J. Samuelson, 2016).



Business industries in the Great Depression

Agriculture Industry

Overproduction after the first world war caused destruction of agriculture in the most countries especially in the US. This is because, other countries started to produce goods by themselves and exporting agricultural commodities in Europe increased during the great depression. There was reduction on demand on main goods like wheat, crops, fruits and vegetables so price of those items declined. Farmers lost almost 50% of their revenue and 60% of their stock value between 1929-1938 (Benjamin Noah, 2022).

Automobile industry

It was one of the most suffered industry in the Great Depression. Car manufacturers lost \$191 million after 3 years from beginning of the crisis. Moreover, 75% automobile brands closed during that period. Even the most successful and survived company GM had to cut off 70% price of expensive cars to decrease inventories (Arthur Zuckerman, 2020).

Clothing industry

Literally, clothing industry was died during the Great Depression. Woman started to make their own clothes so demand and price completely dropped (luxiders, 2020). Most clothing manufacturers particularly big ones transferred its operation into producing zippers or making cheap clothes with zippers (zipper was innovation of 1930s in clothing industry).

Food industry

Inflation on foods had decline to -16.88% in the pick of the recession. Cheap and semi-finished foods became popular among people in the crisis. Most well-known one that exists still was Campbell`s soup. The company made \$100 million annual revenue at the end of the Great Depression (Garry Hoover, 2021).

Radio-electronics industry

After roaring twenties, American people found that radio was inexpensive and excellent type of entertainment during the Great Depression. There were 15 445 radio stations around the US in 1930 and over 40 percentage of American families owned a radio (Marta Djordjevic, 2022). 54% percentage of radio and photograph companies in the US closed during 1929-1933. A lot of companies which entered the market later and quite big ones like Grigsby-Grunow and Atwater Kent could not keep up with competitors so only 18 strong radio manufacturers remained to operate in 1934 (Gary Hoover, 2021).

How it started World War2 economic crisis?

German economy was recovered significantly after losing WW1 with a lot of debts and the Great Depression in 1938-1939. 20 billion Reichsmarks compensation for winners of WW1 that Germany had to cover reduced to 9 billion in 1938. Addition to this, interest rates also decreased from 6 percent to 3 percent. Government encouraged people and businesses to make



investment and savings and it managed the price of commodities and salaries to avoid inflation and surplus demand of consumers (Richard Overy, p149, 2014).

World trade reduced in each country even strong ones such as 30% share of Germany in importing and exporting declined to 13%, foreign trade of the US from 12% to 8% and the Great Britain from 40% to 25% between 1929-1938 (Paul H. Hehn, p.14, 2005).

Germany focused on improving army so it made huge investment in producing and purchasing military goods. Hence, consumption underwent reduction from 71% in 1928 to 59% in 1938 (Richard Overy, p.153, 2014).

Although, income of entrepreneurs and corporations increased steadily, salaries of German citizens decreased before WW2. Moreover, there was an increase in public expenses from 49% to 74% and in the debt of the country from 12 billion Rm to 42 billion Rm in 1938. In fact, that debt was equal to 10% of the national income at that moment (Paul H. Hehn, p33, 2005). Unemployment rate reached pick more than 6 million in the Great Depression, GDP of the country had downturn annual 8.3% reduction (Nicholas Dimsdale, Nicholas Horsewood and Arthur van Riel, p.778, 2006). The most severe economic situation was happening in Germany pre-war so that situation contributed to support Nazi Germany and led to the second World War.

Business industries in World War2 economic crisis

Food industry

Food manufacturers was controlled by government during the world war2. Main food production was directed to supply army then population. That is why, every country implemented food rationing to provide everyone with food. For example, food papers were printed to get access to daily foods in Switzerland between 1939 and 1948 (Bernard Degen, 2022).

Automobile industry

Any kind of vehicles was not manufactured from February 1942 to October 1945 in the whole Europe. All car manufacturers directed to heavy manufacturing or forced to produce aircraft. For example, BMW was the largest manufacturer of aircraft engines during the World War 2 (BMW Group, 2024).

Agriculture industry

Demand on food and vegetables always increases completely during severe economic situations. However, why farmers cannot fulfill demand? Before starting the second World War, 20% of foods that citizens of France consume was imported by other countries. Apart from that, there was reduction on producing agricultural goods by 20% throughout the whole Europe during the war. Farmers and manufacturers could not manufacture as much as they could because of shortage of oil, fuel, horse, fertilizers, rope and other resources (Hein Klemann, p.6, 2013).



Textile industry

USSR or Russia was one of big supplier of textile products like wool, cotton, silk and linen. The country produced 20% output of the whole industry before the first World War. There was an increase in textile industry even during the war. For example, the production volume of knitwear rose up from 8.3 million in 1928 to 186 million in 1940. During the war, not only demand on military uniform increased but also utility uniform rose too. This is because, a lot of women were attracted to jobs that man left for war (The Great Soviet Encyclopedia, 2018).

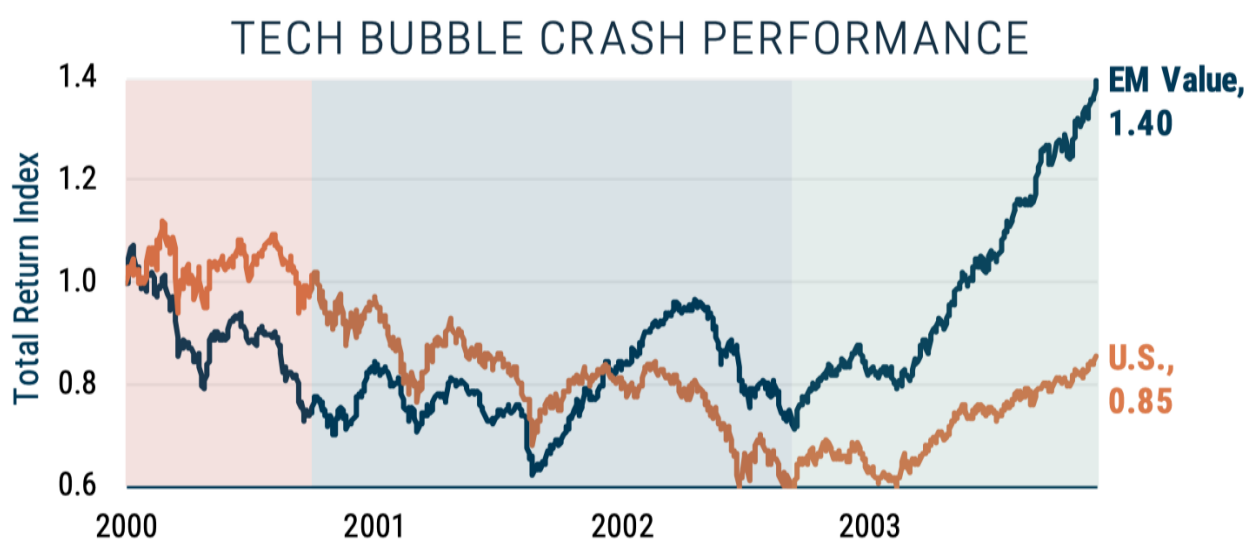
Radio-electronic industry

One of the highest improvements happened in radio-electronic industry during wartime. Developing televisions and adopting electronic controls were main reason for that growth. Market value of the industry experienced rise from \$500 million in 1940 to \$4.6 billion in 1945 (Hugo Gernsback, 2022).

How started The 2008 Financial Crisis

To start of there was a major financial crisis in the world known as 2008 financial crisis. In other words, the subprime mortgage crisis was considered to be destructive in the United States. It was an event which lasted in the people's memories who lived and experienced at those times. So, how that crisis happened? The crisis itself started in 1999 and almost a decade later that time it became one of the largest crises in the U.S history. Event started with cheap credit and lax lending standards which triggered the housing price bubble. Low quality loans were resold to financial institutions as investments and when bubble exploded the institutions were left out with a huge number of dollars of worthless mortgages. (Singh, 2023)

At the beginning of 2000, investors were looking for safe returns on their investments. At those times stocks and bonds were quite popular but investor getting their money back from bankrupt companies was problematic.



(Hooker and Hooker, 2021)

This is where mortgages come. Mortgages is about loans people take to buy a house. At that time the real estate prices were rising and investors could make cover their money without any problem at all. The mortgages are not bought individually by investors, the investment banks were buying numerous mortgages at a time and reselling them to the investors with a security. Which in this case home owners were paying mortgage payments to the investors? So, it seemed easy for more people and more of them came to banks to purchase mortgage secured papers from banks to make more money. After increased subprime borrowing the government sponsored the National mortgage association (Fannie Mae) which started to give loans to the ones who has lower amount of savings and credit compared to the lenders. The idea behind is to give the sense of ownership of the house to the people. borrowers were considered as risky as they might not pay the money and which led to the higher interest rates and variable payments. Many people saw the opportunity to make money while others which are few of them knew something big and dangerous was coming at the end. In 2002, Fannie Mae and Freddie Mac had extended more than 3 trillion us dollar worth mortgage credits. (Kosakowski, 2023)

According to the Warren Buffett “something close to a bubble in home real estate. 50 million people had mortgages roughly at that time out of 75 million home owners”. (Wall Street Journal, 2018)

More and more people engaged in this event and supply was increasing non-stop. They started to offer interest only or payment optional mortgages which were harmful because of low rate of initial payments. Which was leading to the crisis. These types were reset in a 2-to-3-year period due to fluctuation which resulted in much larger payments compared to the initial payment.

Business Industries in the Great Recession

Banking and financial service. During 2008 financial crisis had short- and long-term effects on banking industry as they lost their money on mortgage defaults which led to freeze their operations. No money, no banking they could not give credits and consumers and stopped. According to research results the for Long-term, the financial crisis led to additional regulatory measures in the US with the Dodd-Frank Wall Street Reform and Consumer Protection Act. (Scott, 2019)

Real Estate and Housing

The crisis had the biggest influence compared to others on real estate environment as it was linked to that. Newly built houses were in demand and companies were building a lot. Subprime mortgages, the home loans were given to the borrowers considered as risky. Risky borrowers had less credit history and low-income stability and debt ratio was high. Among people who were buying second homes the subprime mortgages were also popular. (Boykin, 2022) 2.3 million properties were closed in 2008 which primarily increase of 81% from 2007.



Automotive

This industry is one of those which suffered mostly. The 2008 recession pushed the automotive industry near to collapse. Auto sales dropped by 40% and credit for car loans were not available. Auto manufacturers dramatically cut the production. In December 2008 the automobile industry was losing nearly 120,000 jobs monthly. Near to 2008, two big auto manufacturers the GM and Chrysler faced lack of cash and they were very near to a complete bankruptcy. It was the worst financial crisis after the great depression. (National Archives, 2011)

Retail

in the early 2008 before the appearance of crisis signs, online retail sales were accounting 32,4 billion dollars with a growth of 13,4% according to the statistics. After the signs of a crisis there was a major decline on sales representing 16,9% drop. At the mid and end of 2008 and the start of 2009 there was a decline because of lack of availability of cash on people. there was reduced consumption expenses which results in less money spent on online sales. In this industry the luxurious brands had more damage compared to others as people could not afford even spend money on expensive products and services. (Ghadami, Aghaie and Mohammadkhan, 2010)

Electronics

The United States GDP declined by 4.3% on fall of 2008. This all affected negatively to the manufacturing industry also the unemployment rates were at peak. The number four bank shut down. During 18-month period there was a massive unemployment rate indicating 2 million people or in other words 15% of their workforce. The technology industry slowed down but there were some areas which were contributing jobs in software services. They added 86,200 jobs and as for engineering and tech services there were 26,600 jobs created. (Chan, 2023)

Analyze of the business industries that has the highest survival rate in recession

The aim of this article is to analyze the different industries in 3 major Crisis incidents which are Great Depression, World War 2 and 2008 financial crisis. We have explored and examined various industries to understand their survival rate and rated from 1 to 5 which indicates how well they did during recession period. There is 1 is the most survived and had less affected industry and goes down to the 5 which is most affected and had a collapse at the end.

The Great Depression	Ranking
Agriculture	4
Automobile	3
Radio Electronics	2
Clothing	5
Food	1



World War II	Ranking
Food	4
Automobile	5
Agriculture	2
Textile	3
Radio Electronics	1

The Great Recession	Ranking
Banking and financials	4
Real estate	5
Automotive	3
Retail	2
Electronics	1

So, as you can see the table, we according to the research data made a list of industries during the recession period and its ranking. In a great depression time, the area which did quite bad was ranked last which is clothing industry. Demand for clothing dropped and people made themselves. While in the world war time there was a need for outfits and for that reason textile industry made better job by indicating 3 on table. As they needed to supply people with outfits for different circumstances. As for Agriculture which ranked 4 during great depression was one of the most affected industries during recession. Demand for agriculture were boom and then as discussed above rapid drop after war and people suffered of over production export intended products not exported. But agriculture during World War II accounts for rank 2 which is better and there is a reason for the demand to supply people during hard times and it increased the demand for this area. The automobile industry shows the rank 3 in both great depression and 2008 financial crisis respectively. Which was the industry with near to recession and got huge debts and they experienced production costs but not as much as we mentioned areas. The food industry showed three different ranking not close to each other because of many factors discussed above, the key point here is the food industry which specifically became popular was cheap food during great depression time takes the first place and managed to survive but in World War II period it dropped because of production rates suddenly decreased which caused by lack of oil fuels to do the agriculture. In 2008 recession time people could only afford what they have to survive and consumed based on that need only. Banking and real estate industry is considered to be the biggest cause of the crisis in 2008 and they are collapsed during crisis. So, the last part which shows the result of our research made. The radio electronics, electronics is the industry which has highest ranking according to survival rate during recession times. It indicates 2 during great depression and being in the first place in both World War II and 2008 crisis. Mostly survived industry is the radio electronics, electronics. There was somehow need for this area and even it dropped not that dramatically compared to other areas. Every time recession happened the growth in this industry happened because of many reasons mentioned above of this research. People found it cheap and entertaining during great depression and in World War II the television and radio controls made a boost. As for 2008 recession the industry



even created jobs in the area and faced growth. This is a number one industry which has most survival rate during recession time and probably the industry would again survive the next recessions in the future.

Conclusion

This is an end of the work, overall, we did research on three major crises in the world to analyze which industry has the highest survival rate by learning all three recessions in depth. We investigated range of sources to get reliable and proper information about recessions and industries at that time. We analyzed the industries during recession time deeply to properly rank them on the ranking table made above. Then we made analysis by comparing each industry in crises times and came to conclusion that radio electronics, electronics has the highest survival rate in all three major recession period. So that is why this industry would highly likely to be survival industry if a future crisis hits.

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