Essay on the great depression

Sociology, Poverty

Introduction

Great Depression has been an unforgettable historical event that led the people of America to experience a big hole of nightmarish misery and poverty. It has been one of the most significant economic events that highlights the 20th century, as foretold by Graham, J. R. Banks had been closed, stock markets had been crashed that later inflicted the significant loss of people's savings and money—their primary way of survival. From a single, big blow in the economy, a wide-range of variables were greatly affected, leading to a massive recession of economy that later arose into depression throughout the land. This single, big blow in the economy, which was the root cause of this tragic economic event, was actually the decline of the primary supplies of the people brought about by the war, thus later result to severe and complicated poverty in the country.

An immeasurable and countless reasons had brought out this unsightly incident that no one could even imagine and dream about. Looking back through the history of Great Depression, following World War I, people experienced massive damages. According to Robert, J. (2012), it's about an ' American Story with global side effects', such that America acts as the primary banker of the world during those times.

The Great Depression

Considering those times when prices are greatly increased during the war, Britain was heavily affected and weakened, thus having difficulty in stabilizing the economy of the World. Europe avoided to pay loans and to buy products from America. They couldn't perform the task to keep their market open and available so those trades among countries can maintain a stable exchange rate.

The trouble that lies in here is that there are so many countries that were no longer able to avail and afford the costly welfare expenses that they have (Robert, J., 2012). There were even cases where some nations had already over-borrowed resources, which is why those who had not yet experienced it avoid that same fate. This heavily affected the trade. There were imbalances.

Improper and faulty strategic, economic ideas people had believed and trusted follows. Stock Market speculation was one of these, leading to stock market crash. People lost almost everything they have because of this. Most notable stock market crash is on 1929. The Dow Jones Industrial Average dropped almost 40 per cent (from 327 to 199) that spans from October 23 to November 13.

This happened when everyone was igniting to own and have part of the stock market, but the matter is, they lack the money to be able to do so. So what they did was to borrow money, and bought tremendously overpriced stock, that in actuality, worth nothing at all. In the end they lost their money. But not only them! The people who they borrowed the money from also incurred a loss, since they we’re not being paid back.

During those times debts had been written in amounts of fixed dollar, which is why deflation (falling prices, wages, profits) made it much harder for people like the farmers, the businessmen, and households to repay loans. American Farms were soon devastated financially. Farmers were not able to make any money from their crops and products. They were even losing more than $1. 50 per acre of land they planted. According to Robert, J. (2009), from 1929 to 1933, the prices for wheat, corn, and other products from the farm plummeted to 54 per cent; and those for building materials even fell at 25 per cent. Considering that there were giant dust storms that added to the destruction of their fields, farmers were left with no choice but to lose their farms with no money at all.

Increasing taxes also seemed to be of no significant effect in combatting the increasing debts of the people. In the study of Graham, J. R., they suggest that either changes nor regulations in tax policy that were designed to limit debt biases in the land, there were only but little effect on the usage and solvency of debt.

When almost all the investors had been unable to pay their debts to the banks, the banks, in turn, lost all of its money as a consequence. Everyone came to retrieve and withdraw their cash from their respective banks. The problem is, the banks don't have enough money available to entertain those withdrawals anymore.

In the study conducted by Robert, J. (2012) he cited that Friedman and Schwartz claimed that it is the Federal Reserve failed to rescue and revive the banking system. From 1929 to 1933, almost 24, 970 banks (more than two-fifths of the nations) disappeared because of failure or because of merger.

The bank deposits and the circulation of currency, which are basically the money supply of the nation dropped by a third. What is ironical about it is that the very purpose why the congress was created is to backstop the banking system of the land in 1913.

Economics is soon trickled down. Trickled-down economics comes from the idea that, as you give more money to the wealthy and rich people, more money would also be brought to the poor people, since rich people would establish a company that would hire those poor people and work for them. However, a bad turn of events happened, when what actually occurred is that, instead of hiring men, these wealthy proprietors and business men bought machines to do the work for them. Thus, this strategy was a big failure.

There was also overproduction of supplies that happened, thanks to the companies which bought so many equipment to make things go faster and so that they could do mass production of goods. Now, instead of hiring laborers for the job, too many products had been made. Too many products became classified as surplus, since there are no enough people to buy all of the goods produced. Although they can already fast operations, it’s just that there were not enough people to consume their products, losing their hard-earned money in the process. All that they had spent for their products were put to waste.

A seemingly domino-effect then had happened. Just from these things, dreadful effects followed as consequences: people became unemployed. From 1930 to 1939, the U. S. unemployment rate averaged 14 per cent; the peak rate, in 1932, was 23 per cent (Robert J, 2012). The longest period of unemployment in America was noted to last for 19 months as seen in the early 1980’s. Other places in the world also suffered from having the same fate—unemployment issues. Unemployment among industrial workers in United Kingdom had even reached up to 21 per a year earlier. In Germany, it even hit up to 44 per cent. As bad as how it looked, the Congress did not even consider federal unemployment insurance only until 1935 (Robert, J., 2012)

As people became unemployed, massive poverty began to spread in the land. 34 million people, who has no source of income due to being unemployed, became really poor, that was almost more than 60% of people during those time that were officially considered and rendered as to living in poverty.

Poverty led to homelessness. With no jobs and source of a living, almost two million people who basically have no home and walked almost everywhere looking for work. The towns start to put up signs signifying and telling these people to go away and don't come near their place. These people with no home to live in are not only adults-- children were also a part of them.

The great depression in America (started and dated in the late 1929) finally ended on the eve of World War II. The very reason it ended was the creation of new jobs needed for the building of weapons that the soldiers might need for their fights. At the end of World War II, the United States of America became the world's most powerful country because of the creation of the nuclear missiles.

Conclusion

The Great Depression indeed was a living nightmare to all the people. But to think more about it, the great depression was actually a result and consequence of the greed and desire of people. A single war would turn out to be the destruction of the supplies; with which would later result to the inability of the country to maintain proper balance in trade and industry in economics. As foretold by Robert, J. (2012), " The Depression couldn't end until people changed their beliefs and behavior--a lengthy and tortuous process, because people cling to what's familiar". Still giving off their pride and greed to bring things more fortunate in their way, they ended up being in poverty. Reckless ways of handling their situations, and continuing their belief to uphold the money that they initially think can help them rise from the ground, they eventually failed. Although fortunately, America was able to rise up, the key to all of it is to analyze things two steps ahead. People should start to think what the consequences of their actions should be.

Works Cited

Graham, J. R. et al (2011) Financial Distress in the Great Depression.

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