

# The great depression research paper sample

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## **Introduction**

The Great Depression was a worldwide economic depression that took place in the decade preceding the Second World War. In most nations, it started in the year 1929 to the middle 1940s. This was the longest, deepest, and most widespread depression in the 20th century. This tragedy put millions of American citizens out of work, resulting in government involvement in society and the economy.

## **Cultural and Historical Context**

The Great Depression took place at a time when many people had become interested on the stock market. Many others were working in industries and the economy was doing quite well. The local farmers produced enough to feed the nation, and there was no sign of a pending disaster. Historically, the First World War had just ended, and life has returned to normal.

## **The Stock Market Crash**

For about a decade, the United States of America enjoyed a period of optimism and prosperity. On October 29, 1929, often referred to as Black Tuesday, the stock market crashed and the Great Depression officially began. Stock prices plummeted and with no hope of a speedy recovery, panic struck. Large masses of people attempted to sell their stocks, but nobody was buying. Many of the people who had seen the stock market as the easiest way to becoming rich, quickly realized that it had become the fastest path to bankruptcy.

Yet this was only the beginning. Given that most banks had invested very large portions of the savings of their clients in the stock market, when the

stock market crashed they were forced to close. This caused another wave of panic throughout the country. When people saw that some banks were closing, they were afraid that they too would lose their savings and rushed to the banks that had not yet closed to withdraw all their money. These massive cash withdrawal led to the closing of additional banks. After the closing of these banks, many of the people who had not managed to withdraw all their savings also became bankrupt. Many people took to the streets, as they demanded that banks refund their money. People spent days outside banks and other financial institutions hoping for a miracle.

Many businesses and industries were also affected. Many of them had lost a lot of money in the stock market and the bank closures and were now facing hard economic times ahead. Many businesses started to cut back on their workers' wages or hours. This led to consumers curbing their spending and refraining from purchasing luxury goods or anything that was not an absolute necessity. Consumer spending went down to almost non-existence and caused even more businesses to either cut back their workers' wages or lay off some workers. This was the only way for them to survive. Even with all these cuts, some businesses could not stay open. They soon closed down and left their workers unemployed and without hope. Overnight, many people's lives took a disastrous turn.

## **The Dust Bowl**

On the previous depressions, many farmers were generally safe from its severe effects because they could feed themselves and their families.

Unfortunately, things were different this time around. During the Great Depression, a horrendous dust storms and a drought hit the Great Plains,

creating what came to be referred to as the Dust Bowl. Many years of overgrazing coupled with the negative effects of the drought led to the destruction of the grass. With the top soil exposed, strong winds would pick up the loose soil and whirl it for miles. This dust storm destroyed everything in its path, and the farmers were left without their crops.

The small-scale farmers were the worst hit. Some years before the dust storm hit, mechanization and the invention of tractors drastically reduced the need for human labor on farms. Most of the small farmers operated through debt; they would borrow money for seeds and repay it back after their harvest came in. After the dust storms destroyed their crops, the small farmers could not feed themselves or their families or pay back their debt. Many banks foreclosed on the farms and this led to many farmers becoming unemployed and homeless.

## **Social Context**

### Riding the Rails

The Great Depression left millions of Americans out of work all over the country. Many of these people could not find jobs locally, and they set out to look for employment elsewhere. They travelled from place to place in search of job opportunities. A few of them had cars, but majority of them "rode the rails" or hitchhiked. Most of the people who did this were teenagers. There were also some older men, women, or even entire families travelling in this manner. These people boarded freight trains and crisscrossed the country, with the hope of finding a job in some town along the way. In many cases, there were thousands of people applying for a single job whenever there was an opening. The rest who were not lucky enough to get it would stay in

nearby shantytowns (nicknamed "Hoovervilles") or slums outside of town.

The houses in these regions were built out of any free material, such as driftwood, cardboard, or newspapers.

Many of the farmers who lost their land and homes usually headed to California, where there were rumors of jobs in agriculture. Unfortunately, for most of these people, the jobs were seasonal, so in between the harvests they had to bear with the harsh conditions. For those who did not find employment immediately, the conditions were even worse. Since most of the farmers came from Arkansas and Oklahoma, they were referred to in the derogatory terms of "Arkies" and "Okies". The stories of the migrants to California from different places were immortalized in books such as *The Grapes of Wrath*, a work of fiction by John Steinbeck.

## **Political Context**

### The New Deal

The economy of the United States broke down when Herbert Hoover was president. Although he repeatedly spoke optimistically, most people blamed him and his government for the Great Depression. Everything about the Great Depression was named after him. the shantytowns were called Hoovervilles, newspapers were referred to as "Hoover blankets," and pockets of pants which were turned inside out (showing poverty and emptiness) were named "Hoover flags." broken-down cars which were pulled by horses received the nickname "Hoover wagons."

In the 1932 elections, Hoover lost and Franklin Delano Roosevelt received a landslide victory. Many people in the United States hoped that President Roosevelt could solve their woes. Immediately after Roosevelt took office, he

shut down banks and let them reopen only after once they had stabilized. He then established programs known as the New Deal, which helped to curb unemployment and aid the farmers.

## **Conflicting Interpretations**

### **Inequality**

According to two economists of the 20s, William Trufant Foster and Waddill Catchings, inequality had led to the great depression. They argued that the economy had produced more than it consumed. This created a problem because consumers had very little income and could not afford to buy these products. They argued that the unequal wealth distribution caused the Great Depression.

This view argues that the root cause of this Great Depression was a worldwide over-investment in the heavy industry capacity as compared to earnings and wages from independent businesses and farms. The proponents of this view argued that the solution was that the government should pump money into the pockets of the consumers. They said that it should redistribute purchasing power and maintain the industrial base. However, they should also re-inflate wages and prices to force the inflationary increase in the people's purchasing power back into consumer spending. They argued that the economy was already overbuilt, and that new factories were unnecessary. Foster and Catchings' recommendation was that state and federal governments should start big construction projects to create employment.

Inasmuch as this program could have helped the economy in the short term, it would not have solved the problem. The extent of economic damage was

too severe. It would have also been nearly impossible for the government to redistribute wealth. Many of the wealthy people who were not as severely affected by the depression would not have agreed to this idea.

## **Debt Deflation**

According to Irving Fisher, the predominant factor that led to the Great Depression was deflation and over-indebtedness. He tied loose credits to over-indebtedness, and this fueled speculations and asset bubbles. He outlined nine factors, which interacted with each other under conditions of deflation and debt to cause this disaster. This chain of events was as follows:

- Distress selling and debt liquidation
- Contraction of money supply as loans from banks are paid off
- fall in asset prices level
- A greater fall in net worth of business, which precipitating bankruptcies
- fall in profits
- reduction in output, trade and employment
- loss of confidence and pessimism
- Hoarding of money
- fall in nominal rates of interest and the rise in adjusted interest rates after deflation

**This theory makes sense, although it does not fully explain the extent of the depression.**

Causes of the Great Depression

The great depression was caused by a combination of factors. The most prominent of these were the stock market crash and the drought. Other

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factors that may have contributed to the Great Depression include the failure of banks and the lack of purchasing powers.

## **Conclusion: The End of the Depression**

President Roosevelt became a hero to many. Although he helped reduce the problem, the economy was still in crisis by the end of the 30s. The situation changed when Pearl Harbor was bombed and World War II began. Industries became essential for the war efforts and many people found employment in the army. The women kept the factories going and agriculture was revived to ensure that the soldiers were fed. Ultimately, the entrance of the United States into World War II ended the Great Depression for the United States.

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