

Great depression essay

[Business](#), [Industries](#)



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [The Main causes of the Great Depression](#) \n \t
2. [Why did the Great Depression Last so Long?](#) \n \t
3. [Works Cited](#) \n

\n[/toc]\n \n

Introduction

The Great Depression is a global economic crisis that began in 1929 and lasted until 1939. (Most significant from 1929 to 1933). Therefore, the 1930s are generally considered during the Great Depression.

The Great Depression of the most severely affected by the U. S., Canada, UK, Germany and France, but was felt in other states. The worst affected industrial cities in several countries have virtually stopped construction. Because of the reduction in effective demand, agricultural prices fell by 40-60%.

The Main causes of the Great Depression

According to Gary M. Walton, " in 1929 the U. S. stock market crash was preceded the Great Depression: a sharp decline in stock prices that began in the " Black Thursday," October 24, 1929. After a brief small rise in prices on October 25, the fall took catastrophic proportions in the " Black Monday" (October 28) and " Black Tuesday" (October 29). October 29, 1929 - the day the stock market crash on Wall Street."

Garraty, John A. writes, that “ economists have not reached a consensus on the causes of the Great Depression. There are several theories on this, but apparently, in the event of an economic crisis played a role a combination of factors”.

- Keynesian explanation - lack of money supply. While money was tied to gold reserves, the money supply is limited. At the same time, production grew at the turn of the century there were new kinds of goods, such as automobiles, airplanes, radio. Quantity of goods as gross, and assortment, has multiplied. The limited growth of the money supply and the mass of commodities originated strong deflation - falling prices, which caused financial instability, the bankruptcy of many businesses, non-payment of loans. Powerful multiplier effect even hit by a growing industry.
- Monetarism - the crisis has caused the monetary policy of the Fed.
- Marxism - the next crisis of overproduction inherent in capitalism.
- Stock bubble, investment in production in excess of the actual need.
- Rapid population growth, a large number of children per family was typical of the former agrarian mode of production (an average of 3-5 children per family), but due to the progress of medicine and a temporary increase in the standard of living seriously declined due to the natural decline of diseases.
- The Smoot - Hawley Act in 1930, to impose high tariffs on imported goods.
- The First World War.
- Margin loans.

Why did the Great Depression Last so Long?

Until recently it was believed that the causes of the Great Depression set. But in recent years, economists have turned again to her study, using the

latest advances in economic theory and quantitative methods. New research has yielded unexpected results. It turned out that some aspects of depression does not fit into the usual explanation.

The traditional view is that depression began as an ordinary recession, which turned into a depression due to a succession of banking crises and the inability of the Federal Reserve to increase the money supply. Economic recovery was on its course until 1937, when the Fed suddenly raised the reserve ratio, and President Roosevelt reduced its budget expenditures. However, neither the depth of depression, nor its duration is not consistent with the traditional explanations. Depression was severe from the outset - industrial production in the first year fell by 35%, long before the raid on the banks depositors and reduce the money supply.

Yes, and it lasted much longer than it should. After 1933, productivity grew rapidly, liquidity was rife, the banking sector has stabilized deflation was defeated, and the Fed has stimulated demand, increasing the monetary base in the years 1933-1939 more than doubled. Despite this, the economy is not even close to long-term trend. In 1939, compared with the long-term trend of per capita consumption has not been restored at all, and the number of working hours has increased by only 20 %. The volume of investments increased slightly, but was still below trend by more than 60 %.

Depression continued throughout 1930, with little sign of recovery. But hid this fact from the view of economists, who drew attention to the growth of the gross domestic product, and changes in the level of employment. Some economists point to relatively rapid growth in production and decrease in unemployment as signs of recovery from the crisis. But unemployment - a

very unreliable indicator. It takes no account of how many jobs have been restored and re-created, or number of hours worked. In addition, this figure is influenced by the fact that the long-term unemployed at some point just stop looking for work.

Above market wages and depression - are absolutely incongruous.

Depression - is by definition a period of low employment and low standard of living. Conventional forces of supply and demand would lead to downward pressure on wages, which in turn would reduce the cost of doing business and increased employment and production.

Why is the law of supply and demand did not work? The main reason was, apparently, government policies aimed at restricting competition. In 1933, with the aim of overcoming the crisis had passed a law on the National Industrial Recovery. He let companies openly collude, what used to be expressly prohibited by the antimonopoly legislation. This could be the establishment of minimum prices or limitation of production. Industrialists were granted the right to form cartels, and instead had to share some of its monopoly profits with employees, increasing their salaries.

Many industries have adopted codes of fair competition, and after their approval by the government prices for the products of these industries and salaries jumped up. In industries where collusion was not, for example in agriculture, prices and wages remained low.

Even after the restoration of the law was declared unconstitutional, the same practice has been preserved thanks to the adoption of the National Labor Relations Act - the Wagner Act. He has significantly strengthened the bargaining position of the trade unions and led to a further increase in

salaries, including a significant increase shortly before the recession of 1937-1938. Antitrust sanctions are not applied too much.

In the late 1930s, this policy began to change, and the number of working hours began to grow. In the late 1940s, the Wagner Act was amended, and wages in the industry have come into compliance with the performance and the number of working hours per capita returned to normal levels.

For a more complete understanding of the Great Depression, historians and economists will have to work hard. But almost certainly satisfactory account of history is impossible without an answer to the question, why did not the normal market forces of competition, especially in the labor markets in the industry.

Works Cited

Gary M. Walton, Hugh Rockoff " History of the American Economy", Tenth Edition, Chapter 23.

Bernanke, Ben (1995). " The Macroeconomics of the Great Depression: A Comparative Approach". Journal of Money, Credit, and Banking (Blackwell Publishing)

Garraty, John A., The Great Depression: An Inquiry into the causes, course, and Consequences of the Worldwide Depression of the Nineteen-Thirties, as Seen by Contemporaries and in Light of History (1986)