

The great depression of 1929-41: causes and consequences research paper example

[Politics](#)



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

\n \t

1. [The Great Depression, HIS 204](#) \n \t
2. [Introduction](#) \n \t
3. [Causes and Results of the Depression](#) \n \t
4. [REFERENCES](#) \n

\n[/toc]\n \n

The Great Depression, HIS 204

Iconic Image of Great Depression Poverty and Despair: Migrant Mother, by Dorothea Lange

The Great Depression as Era of Radical Activism and Political: The Successful Conclusion of the 1937 Sit-Down Strike at General Motors

ABSTRACT

This essay will describe the causes and consequences of the Great Depression of 1929-41, which was the worst economic upheaval in U. S. history. It will discuss the various theories about the causes of the Depression, such as Keynesian under-consumption or the monetarist view that the Federal Reserve Board failed in its duties. Then it will continue to describe the results of the Depression, such as the strengthening of the powers of the federal government and the national welfare and regulatory state during the New Deal, as well as the unionization of heavy industry led by the Congress of Industrial Organizations (CIO), and conclude with some references about how it finally ended and whether the present-day recession is similar.

<https://assignbuster.com/the-great-depression-of-1929-41-causes-and-consequences-research-paper-example/>

Introduction

The Great Depression began with the crash of the New York Stock Exchange in 1929 and did not really end until the massive federal spending of the Second World War brought about full employment. At the depths of the catastrophe in 1933, industrial production had fallen 85%, the Gross National Product (GNP) was down 60%, while in many big cities the unemployment rate was 50-60% or higher. By that time, agriculture, banking and foreign trade had also collapsed completely, while money ceased to circulate and was replaced by bartering in many areas of the country (Bowles 2011).

Although the policies of Franklin Roosevelt's New Deal mitigated some of the worst aspects of the Depression and brought the country back from the brink of total collapse in 1933-34, they did not end it. Even so, the New Deal granted unprecedented economic powers to the federal government, including regulation of the financial sector, agriculture and industry that simply had not existed before (Wilson 2009). It also sided with organized labor for the first time in U. S. history, with the National Labor Relations Act (Wagner Act) that facilitated the unionization of heavy industry in the U. S. and the Fair Labor Standards Act of 1938, which guaranteed an eight-hour day and a minimum wage. In addition, the Social Security Act of 1935 was the cornerstone of the modern welfare state in this country.

Causes and Results of the Depression

Conservative economists like Milton Friedman had profound disagreements with progressives like Franklin Roosevelt about the causes of the Great Depression, and of course over whether following the policy prescriptions of John Maynard Keynes and expanding the powers of the federal government

<https://assignbuster.com/the-great-depression-of-1929-41-causes-and-consequences-research-paper-example/>

was the correct course. These disputes linger on into the present and still affect public policy in the current recession, although from the 1930s to the 1970s the Keynesians and progressives were victorious. In *The Great Contraction*, for example, Friedman argued that the failure of the Federal Reserve to reign in speculation during the boom of the 1920s, compounded by its failure to expand credit and the money supply after the crash were the real causes of the Great Depression (Friedman 2008). Other conservative economists have made similar points in recent decades, although they also give the Roosevelt administration credit for following expansive and inflationary monetary policies and for regulations that stabilized and restored public confidence in the financial sector (Kubik 1996; Brooks 2001). There is also general agreement that the heavy purchase of stocks on margin up to 1929 led to the rapid and disastrous collapse of the markets, which fell over 90% by 1933 and did not recover their 1929 values for nearly thirty years (Evans 1997; Hogan 2003).

Roosevelt agreed with Keynes that poverty, inequality, low wages and under-consumption were the real causes of the Depression, and as he told the Commonwealth Club prior to the 1932 election “ we are going to think less about the producer and more about the consumer” (Roosevelt 1932). In that respect, the New Deal did turn out to be a series of expedients to increase employment, consumption levels and living standards, although the U. S. did not reach full employment until the Second World War. Like other progressives, Roosevelt was also highly critical of the capitalist class, the owners of the large banks that really controlled the U. S. economy. These giant organizations had to be controlled and regulated in order to benefit the

common good rather than the privileged elites, and Keynes also asserted that the system would never produce full employment without stimulus spending by the central government (Mankiw, 2010, p. 770). For the progressives, New Dealers and Keynesians, the free market, laissez fair capitalism advocated by conservative economists like Friedman was obsolete, and “inefficiency of aggregate demand was identified as the main economic problem” (Skidelsky 2010, p. 152). Like the Republican administrations of the 1920s (or the 1980s), the classical economists had a “superstitious faith in the market as an end in itself”, a kind of religion that conservatives still adhere to today (Clarke, 2009, p. 4).

Since the economy truly was in a state of collapse by 1933, and many state and local governments were facing bankruptcy, the response of the federal government was unprecedented. Roosevelt permitted just about any type of experimentation that might offer some prospect of relief, such as the failed National Recovery Administration (NRA) of 1933-35, that was unable to set the wages, profits and prices in such a way that would satisfy industry, labor and consumers. Of more importance for the future were the Agricultural Adjustment Acts (AAA), which subsidized agricultural prices and limited overproduction (Bowles 2011). Bank deposits were guaranteed by the Federal Deposit Insurance Corporation (FDIC) while Wall Street was regulated for the first time by the new Securities and Exchange Commission (SEC). Public works, employment and national investments in the economic were provided by a wide variety of agencies such as the Public Works Administration (PWA), Civilian Conservation Corps (CCC), the Reconstruction Finance Corporation (RFC) and Tennessee Valley Authority (TVA).

Because of the drought or Dust Bowl of the 1930s, as well as general economic displacement, millions of small farmers, sharecroppers and tenants were driven off the land and ended up wandering the nation's highways in a vain search for employment. There was relatively little federal assistance for these displaced migrant workers, whose plight was documented in John Steinbeck's classic novel *The Grapes of Wrath*. Dorothea Lange and other photojournalists employed by the Farm Security Administration chronicled the lives of the impoverished and dispossessed, and her picture "Migrant Mother" became "the most reproduced photograph in the world", perhaps the most iconic symbol of the Great Depression (Spirn, 2008, p. 15).

Before the Great Depression, organized labor had been a relatively minor force in U. S. political and economic life, but that all changed with the passage of the National Labor Relations Act of 1935. Prior to that time, labor unions had no rights to organize or go on strike and bargain collectively, so they had been kept out of most American heavy industries such as steel and automobiles. In a series of sit-down strikes in 1936-37, in which workers occupied the factories, the Congress of Industrial Organizations (CIO) unionized General Motors and other major industries. Unlike the American Federation of Labor (AFL), the CIO was left-wing and appealed to the mass of unskilled workers, including women, immigrants and minorities, who had never been organized before (Fine, 1969, p. 323). These sit-down strikes soon spread to other industries like steel and electrical products, as well as to hospitals, hotels, department stores and other areas of the service sector. By 1941, when it unionized the Ford factories, the United Auto Workers

(UAW) had grown to over 700, 000 members in just four years, and was the largest labor union in the country (Fine, p. 329). Ever since that time, organized labor has been a key constituency of the Democratic Party and the only one that could match the financial and political power of big business. This remained true even in the 1980s and 1990s, when older industries began to move overseas to low-wage countries and the conservative political climate was very inhospitable to organized labor.

Although the New Deal mitigated the worst effects of the Great Depression and brought about a major change in the role of the federal government in political and economic life, it did not end the Great Depression. In fact, Roosevelt's attempt to balance the budget and reduce federal spending in 1937-38 led to a ' double-dip depression', with conditions deteriorating almost as severely as they had in the early-1930s. Whatever was truly ailing the American economy at this time, it clearly required a huge level of government spending simply to prevent its collapse, and since that time it has remained a major factor in the economy that is in no way comparable to the pre-1929 situation. Rarely has the federal budget ever been balanced since the 1930s and 1940s, least of all in major recessions like the present. Since it was World War II that ended the Great Depression and brought about full employment for the first time since 1929, a generation of people also came of age with the idea that war—or massive preparations for it—also stimulate the economy. Keynesian policies were the norm for four decades following the Depression, and even Republican presidents accepted them, just as they begrudgingly went along with the welfare state, higher taxes and increased power of organized labor that were the main legacies of the

New Deal. To be sure, Ronald Reagan and the present generation of conservatives often declared themselves in favor of the free market, balanced budgets, no labor unions and privatization, but often their policies encountered massive public opposition. They have only succeeded in limiting the New Deal rather than rolling it back completely, and in the present recession, a return to limited government and laissez faire seem most unlikely.

REFERENCES

Adkison, L. (2010). " Learning from the Great Depression". McClatchy - Tribune Business News.

<http://search.proquest.com/docview/734758386?accountid=32521>

Bowles, M. (2011). American History 1865 to Present: End of Isolation. Bridgepoint Education Inc.

<http://student.ashford.edu>

Brooks, K. (2001). " Calming the Panics of the Great Depression: The Creation of Effective Federal Reserve and Banking Policy." *The Region*, 15, pp. 36-39.

<http://search.proquest.com/docview/198088991?accountid=32521>

Clarke, P. (2009). Keynes: The Rise, Fall and Return of the 20th Century's Most Influential Economist. Bloomsbury Press.

Evans, P. (1997). " What Caused the Great Depression in the United States?" *Managerial Finance*, 23(2), pp. 15-24.

<http://search.proquest.com/docview/212670229?accountid=32521>

Fine, S. (1969). Sit-down: The General Motors Strike of 1936-37. University of Michigan Press.

<https://assignbuster.com/the-great-depression-of-1929-41-causes-and-consequences-research-paper-example/>

Friedman, M. (2008). *The Great Contraction, 1929-1933*. Princeton University Press.

Hogan, H. (2003). *The Great Depression*. Prod. H. Hawksworth, America in the 20th Century. New York, NY: Films for the Humanities & Sciences.

<http://digital.films.com/OnDemandEmbed.aspx?Token=36219&aid=18596&Plt=FOD&loid=0&w=640&h=480&ref=>

Kubik, P. J. (1996). "Federal Reserve Policy during the Great Depression: The Impact of Interwar Attitudes Regarding Consumption and Consumer Credit". *Journal of Economic Issues*, 30(3), p. 829.

<http://search.proquest.com/docview/208845654?accountid=32521>

Mankiw, N. G. (2010). *Principles of Economics*. South-Western College Publishers.

Narasimhan, K. (2004). *The Great Depression: A Corporate Finance Perspective*. (Order No. 3136832, Duke University). ProQuest Dissertations and Theses.

<http://search.proquest.com/docview/305179325?accountid=32521>. (305179325).

Roosevelt, F. D. (1932). *Commonwealth Club Speech*. American Rhetoric Online Speech Bank.

<http://www.americanrhetoric.com/speeches/fdrcommonwealth.htm>

Skidelsky, R. (2010). *Keynes: The Return of the Master*. Perseus Books Group.

Spirn, A. W. (2008). *Daring to Look: Dorothea Lange's Photographs and Reports from the Field*. University of Chicago Press.

Wilson, A. B. (2009). "Five Myths of the Great Depression." Review -

<https://assignbuster.com/the-great-depression-of-1929-41-causes-and-consequences-research-paper-example/>

Institute of Public Affairs, 61(1), pp. 36-38.

<http://search.proquest.com/docview/204123811?accountid=32521>