Stock market crash of 1929

The stock market crash of 1929 was one of many stock market crashes throughout the history, but it definitely was one, if not the most important one in the history. First of all, it is important to know what the stock market is and what role it plays in our lives, both at the time of the Great Crash and now. After the significance of the stock market has been established, one can continue reading about the cause and the effects of that particular stock market crash.

When most people think about the stock market and its history the first event that pops up to them is the stock market crash of 1929. It seems for a lot of the people that this was very soon after the start of the stock market. But what has to be mentioned is, that American " stock brokers" started to meet up and trade in the late 18th century even! Also, the London stock exchange, the very first exchange, was started in 1698, while the first American stock exchange company was developed in 1792, the New York Stock Exchange which just happens to have its first " home" on Wall Street.

So what significance does the stock market have in our lives? Basically, the stock market is a network of public financial transactions. Because of the stock markets, people can trade company stocks at agreed prices all they want. Stock markets exist all over the world: Europe, North American, Africa, and Asia etc. There are debates about how important the stock market is to our lives, but in the end, it is agreed on, is that the stock market has a large significance in the development and economic growth of a country.

There were several factors that could have led to the stock market crash after the roaring twenties. One explanation is that, due to the overproduction of consumer good and the agricultural products exceeded the supply, lead to the halt of production in companies and factories. This, the stop of production, is an expensive “ hobby” that cannot be continued for longer periods of times, especially in many companies at the same time. Many companies, unable to produce any consumer products, simply because it was not demanded, filed for bankruptcy and ended up having to discharge many workers.

Before this drop of demand and supply, the roaring twenties, or also known as the golden twenties in Europe, were occurring. It was a period of time, shortly after the Great War, a time when politics returned to a state of “ normalcy”. The time of modernization, the breaking of traditions has come. Jazz music blossomed, arts and cultures bloomed; the radio and “ moving pictures” set the start of something new. Women enjoyed the fact of the change of roles that the demand of labor during the First World War brought. They were accepted in certain jobs and seen as a capable labor force, though not a very common thing. The post WWI baby boom was occurring, and people seemed to have regained the faith in themselves and their lives.

Another aspect about the 20s is that in Europe these so called Roaring Twenties were mostly financed threw short-term loans in billions. This forced the United States, who’s local economy fell, to draw back since the banks were insolvent. Many citizens were attempting to help their own private economic situation, by participating in the trade of shares of a company, or simply said the stock market. The sale of more then 16 million shares on October 24th 1929, which became known as the Black Thursday, caused the US stock market to collapse, which led to the flip of the financial flow. Money that has been invested in the previous years, were hastily withdrawn. In the European countries and many other countries of the world, this caused a credit withdrawal that showed a severe economic crisis.

Then a type of domino effect occurred; the withdrawal of funds led to mass unemployment which led to a massive decline in world trade which led to the decline of the economy all over the world.

All over the world, countries and their political leaders drew plans of how to overcome this hardship without too much loss. The Scandinavian countries, notably Sweden, began to form a welfare state out of their functioning democratic and capitalistic states, to try and take control to save what still can be saved. The United States however, under the leadership of President Hoover, decided to try what could be considered an experimental solution to overcome the Great depression, which was strengthened in 1933 by the New Deal (a series of economic programs as a response to the Great Depression; focused on relief, recovery and reform) concentrated by Franklin D. Roosevelt, who succeeded Hoover, that included the growth threw public investment, which was caused by the deficit spending (increase in borrowing was financed).

Many states, such as Britain linked their currencies from the gold exchange standard form and were able to at least maintain their currency reserves. The German Reich Chancellor Heinrich Bruening on the other hand, attempted though the strengthening of its currency, together with rapid social services to come out of the crisis. This contributed to radicalization of politics, and a rise of beneficiaries of National Socialism.

As a result of the global economic crisis, a paradigm shift could be seen in the world economics. The existing classical economic theory, or the theory of private owned, most pure and basic form of capitalism was being replaced by what could be something like Keynesianism, which called for more government intervention and demanded it to take a more dominant role in economics. During the next several decades, these economic policies were being changed and then partially reversed.

The global economic crisis can be traced to several causes. The crisis started at the worldwide decline in prices on the agricultural and commodity markets. During the first world war, the United States, South America and several of their production colonies had grown significantly to meet the growing demands of the European States, who were unable to meet their own production demands due to the raging war. When the production resumed in 1918, Europe had an oversupply which led to sharply declining prices.

The stock market crash on the New York Stock Exchange in October 1929 had a similar effect. It was the result of overproduction and mass leveraged speculation. After the Great War, the United States had their production capacity – particularly in terms of new consumer goods such as automobiles, refrigerators, cameras – massively upgraded to meet the new national requirements which came totally out of the blue. When the market was increasingly saturated in the late twenties, the industry was facing a precipice. Together with the industrial boom, a speculative fever had spread to even those of the society, who had little connections with the stock market. For people to be able to buy shares of what they were so convinced is a quick way to get money, they would often take on short-term loans, sometimes with horrendous interest rates.

Once the first signs of a downturn in the stock market, many speculators sold, to save themselves from the worst, their securities, but instead it just caused the prices to declines faster. Although the 25th October 1929 is known as the Black Friday, the largest decreases of New York's Dow Jokes index however were on the 24th. The crash from the boom in the depression took place in 1929 as a complete surprise and the shock waves of the crisis spread from Wall Street quickly across the American nation and the world. Although the foreign trade accounted for only five percent of national income, it made a glorious position in the global economy: in the year 1929, the united states produced almost half of the industrial goods and they were by far the largest exporting nation.

In addition to the stock market crash and the price on the commodity markets at the outbreak of the global crisis were still playing the increasingly protectionist tariff policies of some countries a role. Here, the United States had made with the Smoot-Hawley tariff of 1930 veginning of a wave of similar tariff increases had the partner countries to follow. This protective duties on certain goods dampened world trade significantly. In the German Empire, for example, this caused import prices which amounted to two and a half times more then the world price. The crash itself was reflected in the international markets as a loss of united sates demand pushing prices fell internationally. This resulted in the production cuts and unemployment.

In particular, classical-liberal economists also see a further cause of global economic crisis, the reduction in money supply in the united states by 30% between the years 1929 and 1933. Milton Friedman pointed out that in his work A Monetary History of the United States.

Economists of the Austrian School say that it was caused by the rapid expansion of money supply in the years before the Great Depression and the resulting misallocation of capital. According to this view, the economic slump was a correction of the previously created by expansionary monetary policy, asset price bubbles.

Also, there is a thesis that the German reparations were the cause of world economic crisis as they contributed since they made payments without any consideration which lead to confusing interest rates, but this thesis is not exactly historically accepted universally. The British economist John Maynard Keynes had warned, after becoming aware of the terms of the Treaty of Versailles, before a significant negative impact on the overall economy.

So basically there are many theses on what caused the Great Crash, but basically it involves two basic things: overproduction and too large loans.

The Great Crash was in 1929, and even though it is long gone it is very instructive for all speculators. The reference to the individual economies and the triggers can be produced using the existing material in very different ways. Since it was a global economic crisis, many countries and nations are differently impacted by the crisis, like mentioned in the previous few paragraphs. But an example of where the stock market crash of 1929 had an effect was in Germany, in the time of the Weimar Republic.

It seemed to be that the German economy is initially not directly affected. Both the foreign lending countries as well as the private sector remained to be affected by the economic hardship at that point.

But immediately after the loan deductions derReichstagswahl 1930 grew to dizzying heights. This was mainly due to two reasons, one foreign and one domestic.

First, the NSDAP (National Socialist German Workers Party) was the second biggest party, and of this political development was one abroad worried and wanted to increase liquidity in the countries concerned. The Government considered itself the economic crisis as an imbalance of the state budget. The deficit was the end of 1929 1. 5 billion RM. The Riksbank gradually but only when the cover was the gold and currency reserves of the currency through the transfer of terminated foreign credits under the statutory 40 percent limit (see the gold exchange standard), but the increases in the Leitzinsesverschärften crisis yet.

Also the measures Chancellor Heinrich Brüning took worked to help strengthen the fight against the global economic crisis of 1929. Bruning had always tried to tell the people about the causes of the economic crisis and his approach to the problem. He explained that the government made decisions would lead to a convalescence of the German economy, but only if the people could endure the ensuing hardships with patience. He hoped that his deflationary policies would revive the export trading, reduced the foreign exchange reserves for the reparations. He also wanted to create more jobs in the industry. With the help of emergency decrees, he tried public expenditure and particularly the state budget to the falling prices and falling tax revenues to adapt – a race that he won not because his actions contributed to the fact that prices and tax revenues fell further and further.

Missing the retrospect Bruning deflation policy, the earlier research suggested that it was his primary target to verify by deliberate intensification of the crisis, the Allies believe that the reparations were not easy to meet. Would also weaken the cessation of payments, the radical political forces. Because he the connection between reparations and deflation policy, almost exclusively, in public speeches, but not expressed in internal consultations, new research believe, however, that he was sincerely convinced of it to his policy of having no alternative.

Bruning was in a bind: He had the reparations, Germany’s honest will to prove to meet the Young Plan, but made himself vulnerable precisely because of the political right, whose domestic political support, he nevertheless hoped. He aspired to the customs union with Austria, but which, initiated as mentioned above, because of France’s resistance to the collapse of the banking system.

Whether there were viable alternatives to Bruning’s deflationary policy and prudent financial management, which is only aggravated the crisis, though the historical research very controversial about that. Possible measures could a) a decoupling of the Reichsmark was the gold exchange standard, b) credit poloicis changedeineKredor c) an increase in money supply as by central bank credits. Against all three options have, as the Munich-based economic historian Knut Borchardt tried to prove, given important arguments: Due to the (worse partly through its own debt) crisis of confidence would have been open to the Government no credit facilities: the almost chronic crisis of state finances threatened repeatedly in an acute insolvency of the government, the immense social, political and foreign economic consequences would have been, a departure from the gold exchange standard had been in international law by the Young Plan has been left out and had the traumatic memories awakened to the inflation of 1923. The same arguments have also spoken against a balance of the budget deficit through the printing press.

The fact is that in the general election in July 1932 only the NSDAP and finding employment with a program of massive, reflationärer credit expansion occurred and so its share of votes with 37. 3% more than double. The center, but also the moderate left – the latter remained under the influence of Rudolf Hilferding and Fritz Naphtali – to the ideas of financial and economic orthodoxy had arrested and then the economic propaganda of the extreme right has little to oppose. Even at the turn of 1931-32 created expansive WTB-Plan (named after Vladimir Woytinsky, Fritz Tarnow and Fritz Baade) could develop, given that no internal opposition propaganda effect. During Franklin D. Roosevelt in the U. S. with its expansive program of the New Deal was able to stabilize the democracy achieved in Germany, the right-wing National Socialist Party in these elections, their final breakthrough.

The credit expansion, which was initiated under Bruning successors and Hjalmar Schacht, president of the Reichsbank from 1933 to 1939, then a massive operation was certainly possible only by the very significant from here. Things, especialy now, have changed but have a major influence from the times of the Great Depression. She appeared in the first years of economically successful, but based largely on the defense business of preparing a large, ultimately self-destructive war of conquest.

So basically, it was a time of chaos. Buering was the chancellor who spent the longest period of time at the Weimar Republic, a period between the years 1930 and 1932. Shortly after, many can already see the coming of the regime of the NSDAP, to be more specific Adolf Hitler. In a time of panic and fear, people were looking for solutions. And the NSDAP gave them the secure feeling of these solutions.

One can go into much deeper details to what extent Hitler or any other political idol during those years had his/her benefits at. The Second World War could easily be tied together to the First World War, the solutions for it and the upcoming crisis after the Roaring Twenties. Like mentioned before: John Maynard Keynes had warned, after becoming aware of the terms of the Treaty of Versailles, before a significant negative impact on the overall economy. And some could argue this is exactly what happened.

The Great Crash has had a huge impact on our lives, even though it has be so long ago. Just recently did we have another stock market crash that shows that the stock market does have an effect on our lives, mainly our economic development