

Free essay about the great depression

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The great depression refers to longest economic crisis that was witnessed in the west. The great depression is attributed to the downfall of the Wall Street in the United States where there was a dramatic fall of the stock market. The crisis was so intense that it led to the elimination of well-established investors who had put their resources into different business in the country. The crisis led to a decrease in sales; the number of investors and there was a high unemployment rate since most organizations were forced to lay off workers (Robbins 24). This is because, in such an economic crisis, it is highly impossible for an organizational to maintain a lot of employees yet there are no enough activities going on in the company to generate money to pay them and continue with operations. It is due to the effect that the great depression had that most of the countries that were dependent on industrial activities were in serious financial crisis. The consequences of the decline of stock prices was devastating as it took a number of years for countries to recover with some having felt the impact till the end of the second world war.

The great depression was internationally associated with the collapse of the stocks at Wall Street in 1929. However, despite the few weeks of the collapse, people were still optimistic that there would be an instant recovery. This is because some stock brokers and business people thought that it was quite expected. The views changed following the persistence of the depression which led to serious economic crisis. During the year that followed, the government spent more finances within the first quarter of the year than the previous years. The collapse of the stock market forced a lot of individuals including the rich to cut down on their expenses by a certain percentage since they had very limited resources. The economic crisis is also <https://assignbuster.com/free-essay-about-the-great-depression/>

to be associated with the drought that was experienced in the mid-1930s.

This is because there were very few investors who had the resources to put in different activities. This is due to the heavy losses that they had encountered following the crash in the fall of Wall Street.

There was also a decrease in the borrowing rate at the banks, this meant that there was limited spending during this period. Through the limited spending, the great depression continued since it was only an increase in activities that would have addressed the crisis. The period experienced a substantial decrease in investors since very few had the capital or wanted to risk their resources since the depression had extended for a longer period than most people had expected (Freedman 50). The great depression was worsened by an increase in prices of food products. A significant drop in sales of cars and other machineries was experienced. The decline in prices clearly led to a decrease in wages since there was little to compensate. This is due to the little activities that were taking place in different sectors of the economy. The fall in other countries economy is because of the impact that the United States economy has on other countries.

The economic depression is thought to have been caused by the failure in the banking sector and Wall Street. This is what saw to the collapse of other countries economy which had direct association with America. There have been different theories which have been developed to try and explain what led to the depression. The Keynesian theory tries to state that the great depression was contributed to by the government. This is because the government had put a lot of resources into ensuring that there was normal financial allocation to different sectors. This is because the government thought that the depression would be short lived. Through the resource that <https://assignbuster.com/free-essay-about-the-great-depression/>

the government put, there was a decrease in resources after some time since there was more expenditure than the revenue that was being collected.

The monetarist theory, however gives a very different perspective of how the great depression occurred (Steindl 4). Through this theory, there is an emphasis that it is poor choices that contributed to the crisis. This is in reference to the failure that had been witnessed in the banking industry and the American Federal Reserve System. If the government offices that were required to provide financial aid to banks did their job, there would have been a quick recovery of the different banks that collapsed. The common position of the theories is that, when the government sees the possibility of depression in the economy, there should be measures taken. The measures include cutting down on taxes while the World Bank should put more resources into solidifying the market (Wicker 48).

The heterodox theories give a different account of what seemed to have caused the depression. The Australian school of economy states that the great depression was because of the failure by the Federal Reserve's. The growth in the money supply is what may have caused the imbalance that led to a boom in the prices of different commodities and assets. Before the problem had been realized, the economy had already undergone serious damages. In the Marxist theory, the depression was inevitable due to the few regulations that existed regarding accumulation of resources. The crisis would have been set regulations regarding capital and other factors that are relevant in maintaining the sustainability of the economy.

The great depression was fueled by a decline of productivity following the collapse of the market. A decline in productivity was inevitable since there

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was a decline in the demand for various products and services. A decrease in productivity is what is seen to have led to the laying off of workers since there were limited activities taking place in different industries making it impossible to maintain a large workforce. The breakdown in foreign trade also contributed to the crisis since most countries that were dependent on international trade were forced to limit their activities. These limitations clearly indicate that the collapse of such countries' economy was inevitable. This is because some countries are very reliant on trade to run their country's activities. Inequality was also a relevant factor since the few resources that were available following the great depression were unevenly distributed. This made it impossible for other markets and individuals to recover.

The recovery from the great depression was a prolonged process. The recovery was made possible through a change in policies. The changes in policies are what saw to the steady increase in the interest rates and expansions in the market. The changes made in the government's reserves regarding money supply are what contributed to the international growth that paved way for a gradual recovery following the crisis that had been witnessed in the world's economy. Other economists state that the resources that the government put to the Second World War is what contributed to the recovery of the economy.

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