The comparison between recession and great depression

History

THE COMPARISON BETWEENGREAT DEPRESSIONAND RECENT RECESSION AND THEIR EFFECT IN CUSTOMER SERVICE The GreatDepressionhad a great impact in the United States economy from 1929 to the late 1930s. Many people lost their jobs, savings, and homes. They were not sure about their future.

Also, at the end of 2008, the United States and many developed countries faced a great recession than had paralleled the Great Depression, such as: excessive credit given to normal citizens (which was promoted by Federal Reserve Bank), irresponsiblemoneyspending by the people in the United States that spread to the most countries in the world, the stock market crash, and thefailureof the real state market.

Although, the lessons that governments learned from the Great Depression made them to be creative in preventing the 2008 recession becoming another great depression, or at very least try to postpone this issue by being united to bail out private sectors specially financial institutions. It is very interesting that all the developed countries ignored to correct many problems that could prevent the 2008 recession. After the First World War, Germany and many other European countries tried to recover from the great financial damage that was caused by the war.

They needed money to rebuild their countries, and the United States started to give excessive line of credits to the above countries. Also, because the United States' economy was booming by growth in the industrial sector which brought many people to work for factories and auto makers. Gradually, many companies started to solicited to sell their product on credit instead of cash, and in the beginning of the 1920s , more families were getting familiar with getting installment loans to buy their needed products. Also, many banks started to loan farmers which brought a great amount of cash flow for many farmers.

Furthermore, this economy boom made the rise in the stock market. It was for the first time that the margin was introduced to the stock market, which simply meant that stock buyers can borrow money against heir stocks as collateral to buy more stocks. Many citizens borrow a lot of money from banks, and put their own savings to buy more stocks. T his greedy action made a bubble in the stock market and made it soared in 1920s, not because of fundamentals or corporations productions and profits, but for false expectations of stock buyers.

Of course, this bubble came to the end at October 29, 1929, that is known as a black Tuesday. In this day stock market was crashed. And over a two years period lost 24 % of its value. Black Tuesday also represents the beginning of the Great Depression; during this period many Americans lost their jobs, houses, and farms, because they couldn’t afford to pay their installment loans any more. For many years American farmers overplanted their farms, and poorly managed their crop rotations.

Between 1930 to 1936, when droughts conditions made a great damage to many farms, and prevailed a cross a lot of Americans plains. Dust bowl was created. The dust storm started to harm some states like Colorado, Texas, Kansas, Oklahoma, and later on spread cross entire United States. The dust bowl got its name after Black Sunday, April 14, 1935. More and more dust storm destroying plains, up to that year. Before the Great Depression because a lot of European countries started to improve their agriculture in mid 1920s, it created a mass produced and great reduction in farming products.

To protect the domestic American farm products against agriculture imports, US government raised US tariffs to the high level, which is also known as the Smoot-Hawley Tariff Act of June 1930. Because there was less demand for consuming products exceptfood, therefore factories had to fire many of their workers which were another cause to the Great Depression. Primary sector industries such as cash cropping, mining and lodging suffer the most. Many Americans were going through a very difficult time and couldn’t even afford to buy foods.

The shelters were full and America and many countries were filing for bankruptcy. The American dollar and many European currencies were not back up by gold any more. The items like cars which were considered a luxury material, and cost fortune at one time, did not worth any more. One of the main other causes for the Great Depression was Failure of the banks around the world including the United States that created by the crashing of the stock market , and filing bankruptcy by all developed countries.

Bank couldn’t loan no more to their customers therefore they began to collapse and were closed. President Roosevelt tried to offset the economy by creating a lot of jobs in public sector in 1930s by making Hoover’s Dam or cleaning streets by the public. This strategy by itself didn’t change the economy per se, so by the end of 1939, there was still no improvement in US economy. The main reason for the recovery was in the beginning of 1941. The World War II made many countries in Europe to import again from the United States that gradually created many jobs by reopening major factories.

One of the great similarities of the Great Depression and the recent recession were the failure of financial corporations, crash in the stock market which was created by the same reason (giving excessive margin buying power to stock holders) , and greed by wealthy people. Although, the booming real state from 2003-07 could be considered as some distinguished factors. There are a lot of lessons we can learn form the Great Depression and recent rescission that deregulating stock market and financial sector and handing an economy to the big corporations doesn’t have any consequences but a disaster to average citizens.

Customers would lose a lot of their purchase power in a great deal, during recession or depression. Therefore, companies must sacrifice to drop the value price of their services and products, and do whatever it takes in order to keep their customers. During this time it is a customer or a buyer market. If the companies lose their consumers to the competitors due to the lack of customer service, it would be very hard to replace that. The margin profit would be very low and it would leave the companies with no choice but to cut the cost and overhead expenses.

Companies should consider that “ the customers are always right and they should be heard at any times”. They have to come with any creative idea to improve their relations with their customers. In conclusion, we have to learn many lessons from the great depression and the recent recession. With comparing the roots for these two economy disasters, we would have the better understanding that how companies improve their customer service during thefinancial difficultiesfor their customers and consumers.