The great depression

History

The Great Depression There were a number of events that led to a 10 year depression in America, but the most significant one was the Stock Market Crash of 1929. After World War 1, America became a wealthy nation, people moved from rural areas to the cities in search of a successful life. America's industrial sector was growing rapidly and there was plenty of employment. People speculatively invested in the stock market without regards to future occurrence or permanency they believed that it would continue to rise in the years to come. After sometime, investors began to sell stocks frequently at a rapid rate. Many industry owners wanted to buy stocks since it was a very lucrative venture. The rapid sale of stocks led to a minimal crash on March 1929, the market was falling into crisis but the National City bank came to the rescue by giving a credit of $25million to the stock market (Klein).

At this time the economy had started to show worrying signs, this is because production of steel had reduced, with little capital construction of buildings was moving at a slow pace, and people had collected a large number of debts because credit was easily available. What followed was a series of events that saw the stock market fall greatly to rise again after 10 years. For example, On September 18 1929, the share prices of the New York Stock Exchange fell without warning (Klein). September 20th saw the crash of the London Stock Exchange after the arrest of a number of key players in that market. At this time the market's foundation was shaky, prices were increasing and reducing frequently many people were unable to stay in the market. The market lost about 12% of its value at its opening on October 24th this was called Black Thursday. On October 28, more investors left the stock market and the market slide deepened even further. On 29th called " Black Tuesday", the stock market traded around 15 million; the Dow had lost a sum of 68 points in the two days. Later that day the large number of stocks traded the same day made that market to lose more than $20 billion in stock exchange (Klein).

When the stock market fell, people panicked selling their stocks at lower than normal prices to anyone willing to buy. The market fall was the same for almost all countries except Japan. The U. S economy was greatly affected since most of the investors had placed their earnings in the stock market. Businesses were unable to acquire capital for new enterprises. Banks and industries became bankrupt. This led to closure of businesses and banks, reduced money circulation, firing of employees and less production. With less income, the level of consumption of the average consumer declined. As a result of all these effects, there was massive unemployment. People had neglected agriculture and moved to the cities, this is what contributed to the effects of the market crash. There was not enough agricultural produce to be sold to consumers and therefore hunger set in.

Works Cited

Klein, Maury. Rainbows End: The Crash of 1929. New York: Oxford University Press, 2001.