"a short history of the great depression, from the stock market crash of 1929 to ...

History

EC02013 “ A short history of the Great Depression, from the stock market crash of 1929 to World War II” The great depression was a worldwide event characterized by an economic slum which spanned North America, Europe and other industrialized countries from 1929 to 1939. The incident sparked a catastrophic crash of the stock market on the New York stock exchange in America during October 1929, while the effects lingered, as stocks continued to fall dramatically for the next three years until 1932, when they decreased from the original value they had in 1929.

Consequently, with the crash of he market and grossly devalued stocks, individual investors went financially bankrupt while banks and financial institutions were ruined and became insolvent. The impact on the economy was also rapid as with the weak financial outlook in the bleak economy, consumers lacked confidence to spend their reduced wealth. With the reduced demand and spending on the economy, companies lacked incentive to produce, which drastically further eroded the economy and compounded the challenges.

In addition, without the demand to produce, companies ceased employing and this led to a rise in unemployment. In sum, the great depression reated a chain reaction where the stock market crashed and eroded the value of stocks and depleted the wealth of both individuals and financial institutions. With a reduced spending power, consumers were unwilling or unable to consume and spend thereby decreasing demand for goods and services.

As a result of this decline in demand, companies could not produce and were forced instead, to reduce employment which further aggravated the problems and led to increased unemployment. Subsequently, people could not afford goods and services without jobs, and companies could not employ if they did not have a market to purchase the oods and services they produced. Unemployment reached as high as 30% of the total workforce. As with all major events which occur in the United States, the rest of the world was affected by association, as the great Depression spread to the world's economy and particularly Europe.

The " collapse" of the European financial infrastructure was another major event of the Great Depression. Unfortunately, the Great Depression coincided with the end of the World War 1 which had already devastated the European economy. The United States became a major creditor and financier in this post war era, characterized by debts incurred from war and in some ases war reparations, but when it too suffered its own financial meltdown, the countries more dependent on the US such as Germany and Britain were particularly affected.

In the case of Germany, it was forced to borrow and pay the victors of the war as mandated by the Treaty of Versailles and without support from the United States, its infrastructure could not be rehabilitated and additionally unemployment reached 25% of its population. The effects in Britain were less but lingered until 1931. In response, Europe imposed tariffs on imports in order to stimulate domestic growth and production thereby hindering world trade. President Hoover has been historically blamed for the Great Depression.

In response to its effects, he forged the President's Emergency Committee on Employment and unemployment relief as well as the National Credit Corporation while lobbying Congress to support increased public works spending to alleviate the issues. These were attempts to foster cooperation between the government and businesses and to stabilize prices and encourage labor harmony. He also preached and sought funds from beyond the government, through the private sector in order to help with the crisis.

As he depression worsened, he was called upon for greater governmental intervention, but resisted fixing prices, controlling businesses and manipulating the currency value which he deemed to be socialist strategies. As the population suffered, he was perceived as uncaring. The Great Depression impacted the political arena in the United States and led to the election of the Roosevelt administration. This democratic arrival was another major event which occurred during the Great Depression.

President Roosevelt attempted to overhaul the economy and implemented drastic policies to restore and rehabilitate its stability through his " New Deal. These included increased governmental regulation, direct federal aid and extensive projects such as the creation of the Hoover Dam, the creation of electrical power, fertilizer and the Tennessee Valley Authority of flood control. Another example occurred as his government attempted to relieve unemployment by creating work for the unemployed such as street cleaning and painting while stimulating the industrial and agricultural sectors by restricting output and increasing prices.

These marked ambitious attempts, which did little to reduce the economic state or impact unemployment until the start of World War 2. With the advent of World War 2, the country experienced a rapid fall in unemployment as the demand for the " tools of war" such as ammunition, mounted from foreign customers. American factories overwhelmed with business, were once again prosperous and the impact was felt throughout the economy. This ended the depression and America entered into World War 2.

Ironically, World War 2 sparked from the fact that Europe, while suffering from the effects of the Great Depression, turned to radical and extremists to alleviate the problem. This gave rise to Adolf Hitler in Germany, whose rise to power and rapid xpansion into arms production also ended the depression in Germany but ultimately led to World War 2. The Great Depression was caused by several factors. Chief among them was the underlying weakness of the United States economy during the post-World War 1 era.

This was largely due to the political culture and conservative economic strategies used by the government. America was " spoilt" by rapid growth prior to the period so when the depression occurred, it was viewed as part of the natural cycle. During this time, the strategy was to allow the market to Though this may have previously worked, active policies were needed in the Great Depression to neutralize the effects. The inexperienced government was however, ill prepared to deal with the challenges of the Great Depression which spiraled out of control.

The depression also unexpectedly lingered and lasted longer than expected. It is widely believed that the Wall Street crash compounded by faulty monetary strategies by the Federal Reserve Bank ultimately caused the depression. Two months after the crash, stockholders began to lose money on the stock market which eventually led to the depression. In addition, poor regulation such as a failure to nsure bank deposits, also led to severe losses by savers who lost their savings.

As a result, many banks went bankrupt and others that survived bankruptcy, in response to the depression, ceased making loans which further compromised growth in the economy. Another significant cause of the depression was the fact that people stopped buying and this impacted production. In response, companies cut their workforce, stopped hiring and this led increased unemployment. The effects of this led to lack of growth and stimulation in the economy. The Great Depression marked one of the most significant occurrences in the istory of the United States.

This event changed the role of government and created lessons we continue to learn from today. Nelson, Carey (n. d) About the Great Depression. Retrieved from http:// www. english. illinois. edu/maps/depression/about. htm Hoover, Herbert (July, 1931) Herbert Hoover on the Great Depression and New Deal, 1931-1933. Retrieved from http://www. gilderlehrman. org/history-by-era/new-deal/resources/herbert-hoover- great-depression-and-new-deal-1931 %E2%80%931933 Ludwig von Mises Institute. (n. d) The Depression Begins: President Hoover Takes Command Retrieved from http://mises. org/rothbard/agd/chapter8. asp