

The wall street crash and the great depression



**ASSIGN
BUSTER**

I believe that the above statement is only partially true.

The depression was made worse by the Wall Street crash, much like cause and effect. During 1929 America began to see a tear in the American economy, which led to a big hole, which in turn lead to the crash. A further decline in the stock market and further reductions of product prices, contributed heavily to the Wall Street crash, and was due to mass over production and loss of faith in the stock market. The 1920's had been a great time for the American economy as it was experiencing the 'boom' times.

Not everyone benefited from the 'boom' times, and this became clear during the crash, as many people were exposed to poverty, due to unemployment. The stock market was doing well and the economy was 'booming'. However in October 1929 the stock market reached its peak, before hitting rock bottom and collapsing. In June 1929, the stock market reached new highs, and people had seen how profitable this industry had become during the boom times, and decided that it was an easy way to make to get rich. Share prices were driven up due to the high demand.

People began to invest in the stock market, and people who were unable to buy their shares, brought them 'on the margin', this meant that they could buy \$1000 of stock for only \$100 and borrow the rest. This process of buying became popular and more people began to buy 'on the margin' shares.

During the summer of '29 there were 20 million share holders, and prices continued to rise. In September 1929 large share holders realized that they weren't making a profit and that there were problems with the US economy. They thought they should sell whilst the market was still good.

This caused the smaller investors to panic, and 'on the margin' buyers began to realize that their share would soon be worthless, as the prices were falling, and they would soon pay more than what their share was worth. They began to sell, which sparked a frantic rush to sell and get rid of shares. Prices continued to fall, as there was not a high demand for shares. Towards the end of October \$8 million was lost, desperate shareholders sold their share for any price rather than being left with nothing. It took the stock market a total of 10 days to completely crash, and during that period of time 50, 697, 451 shares changed hands or were dumped. Also happening at this unfortunate time was the mass over production of goods, caused prices to fall rapidly, and due to the falling demand for goods, less and less profit was being made.

This meant that firms had to lay off workers and cut wages. Further reductions meant a drop in demand caused further job loss. By the end of 1929 there were over 60 million people unemployed and living on \$2000 per year. Many people were starving and unable to afford essentials. Families were thrown into misery and near to poverty.

The crash did not cause the depression, as unemployment had been an issue earlier since 1926, however the crash highlighted the unemployment issue that America was experiencing and it was made much worse by the crash. From 1929-1941 America sank into economic slump... the depression. The depression had many effects on the American economy.

20, 000 businesses went bankrupt in 1932; the unemployment rate went from 1. 5 million to 12. 8 million. Many farmers lost land, as they couldn't afford the mortgage, due to their income falling by 50%.

Families of the unemployed were forced to rely on charities for bread or soup from their soup kitchens, many of them became homeless and were reduced to a level of poverty. In 1932 the suicide rate rose dramatically to 23, 000 people, shanty towns were named ' Hooversville' after the president at that time, as the American people blamed him for their plight. In 1932 Roosevelt was elected as president and already had plans to pull America out of the depression and drive them through the other side. Roosevelt proposed the new deal, which was his plan to get America back on her feet again. He provided hope for people and restored public confidence in the government.

In conclusion I think that having studied the great depression that America may still have sunk into depression without the crash, as although it went through the ' boom' times not every one benefited from it, there was still unemployment, which had been increasing from 1926, and a weak economy. The main cause of the depression was the weakness in the economy. Although the crash was not a direct factor of the depression, it made it a lot worse than it might have been without the crash.