

The great depression: effects and solutions assignment

[History](#)



Industries such as railroads, textiles, and steel can barely make an income. New types of transportations such as trucks, buses, and private automobiles forced some railroad companies out of business. Mining and lumbering, which thrived during WI, lost businesses due to the lack of demand. Because new forms of energy were introduced (natural gas, hydroelectricity, and oil), the coal industry saw their profits drop. One important indication is that new houses were built less and less. That's because when housing starts decline, so do jobs in other industries like furniture manufacturing.

Another suggestion at a depression is in the farming area. The high supply of crops dropped its prices. Between 1919 and 1921, the annual income decreased from \$10 million to \$4 million. In fact, the prosperity in the 1920s never actually existed. Many Americans were in debt already because of buying goods on credit. By making credit easy, Americans' debt thickened with each item on credit. Because many people had trouble paying off their debt, consumers cut back on spending. Another likely cause of the Great Depression was the uneven distribution of income.

Between 1920 and 1929, the salary of the wealthiest 1% rose by while only a 9% increase as a whole. Over 75% of families earned less than \$2500 a year. Even families making twice that much cannot afford to buy many new products. Problems in the stock market were born. The stock prices rose throughout the 1920s. Eager to make some quick money, many average Americans speculated, or bought stocks without knowledge. They paid by buying on margin. The government did little to stop the buying and selling. Then the worst happened. On October 29, 1929, or "Black Tuesday", the stock prices just dropped enormously.

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Shareholders frantically tried to sell their stocks before the prices roped even lower. A record Of 16. 4 million shares baas dumped that day. Many people who bought stock were in debt, especially those who bought them on credit. Black Tuesday indicated the beginning of Great Depression. It not only hurt the American economy, but also had a negative impact on the rest of the world. Effects After the stock market crash, people frantically withdrew their saving accounts from banks. However, some banks invested their money in the stock market.

By 1933, 11, 000 of Use's 25, 000 banks had failed. Between 1929 and 1932, the gross national product was nearly cut in half. Almost 90, 000 businesses went bankrupt. Unemployment rose from 3% to 25%. Even those who still had jobs received lower wages. The United States was not the only nation to suffer from the Depression. European countries still recovering from WWW face high war debts. The Great Depression added to their problem by limiting Lisp's ability to import goods from Europe. It made it difficult to sell American products and goods in Europe.

To compound the problem even more, Congress passed the Hawley-Smooth Tariff Act. The act established the highest tariff in United States history. By limiting the mount of goods flowing into the LIST, the tariff prevented other nations from buying American goods, Unemployment rose in industries that export products into Europe. Other countries raised their own tariff, thus causing world trade to decline more than 40%. To add insult to injury, a drought known as the Dust Bowl began in the early asses. Kansas, Oklahoma, Texas, New Mexico, and Colorado were hit hardest.

Thousands of farmers and sharecroppers were forced to leave their farm behind. These migrants, known as Skies, traveled to California for jobs. Solutions At first, President Herbert Hoover opposed any form of federal welfare. He felt that the assistance could undermine the people's "moral fiber." Instead, Hoover felt that the federal government should direct relief measures, but not through bureaucracy. He and leaders in business, banking, and labor worked together to alleviate the economy, However, his solutions made little difference.

Because another presidential election was coming, Hoover passed measures to retort banking, provide mortgage relief, and provide more ethereal money into businesses, In 1932, he signed the Federal Home Loan Bank Act, which decreased mortgage rates tort homeowners. Hoover also signed the Reconstruction Finance Corporation. It allowed 52 billion to be given to banks, life insurance companies, railroads, and other large businesses. It was still not enough to bring the economy out of the mud, Many Americans blamed Hoover for doing little about the depression.

In 1932 presidential election, Democrat Franklin Delano Roosevelt (FOR) was elected by a landslide Even before his inauguration, FDA and his advisors started the New Deal. It was designed to soften the problems of Great Depression. The Hundred Days, lasting from March g to June 16, 1933, was launched by Roosevelt. Over this erred, over 15 pieces of New Deal legislation was passed. Below are just a few New Deal legislations. Agricultural Adjustment Act increased crop prices by eliminating surplus.

TO accomplish this, the government paid farmers \$200 million to plow less than 10 million acres of crop. Hog farmers had to slaughter less than 6 million pigs. * Civilian Conservation Corps gave jobs to young men to develop parks, plant trees, and other projects to prevent another Dust Bowl. * NAIRA gave money to states to make jobs in construction of community buildings. Social Security Act did three things. It provided insurance to retirees 65 years or elder, provided unemployment compensation, and provided aid to families with dependent kids and disabled.