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### **The Great Depression:**

#### **The Crash of the Stock Market**

The crash of the stock market. What resulted from the crash and how did it affect the American citizens in that era? When the stock market crashed in 1929, life changed. It was an era of economic depression. Many people lost everything, even some lives were lost. There were many factors that led to the Great Depression, beginning with the crash of the stock market, I think the crash led to despair due to loss of jobs, loss of homes and the inability to provide for the family.

In the 1920's, wealth was poorly distributed. Farmers suffered due to low prices and chronic indebtedness; the average farm family was only making \$240 per year. While the wages of industrial workers were rising, they did not keep up with the productivity and corporate profits. Nearly 2/3 of Americans lived on less than what economists estimated a family needed just to supply basic needs. (The American Promise, pg.697)

In 1929, when Hoover took office, things in America were looking pretty good. Business was booming, people had jobs, which meant they were making and spending money. During his inauguration he said, "Given a chance to go forward with the policies of the last eight years, we shall soon with the help of God be in sight of the day when poverty will be banished from the.

nation.” (The American Promise, pg.695) Soon after this speech the prosperity he talked about, collapsed when the stock market crashed later in 1929. Thus ending 3 decades of barely interrupted economic growth. (The American Promise, pg.695)

There were signs of economic trouble about mid-decade. Construction began to slow down, Automobile sales slowed. Companies were cutting back production and laying off employees. Banks had begun to fail, and people were losing their life savings. Americans tried to stay upbeat about the whole thing during this time. Many people had seen the stock exchange as a way to get rich, sinking everything they had into buying shares. The values of the shares in the stock exchange had increased in value by almost 400%. When the stock market started to take a dip, people began to panic, thus causing the crash of the stock market in 1929. (The American Promise, pg.697)

Although the Crash of the Stock Market was very bad for American citizens as well as businesses, it made people more aware of their spending, how quickly things can change, and it showed them they needed to appreciate what they had, not take it for granted. The time leading up to the crash of the stock market was a prosperous time. Businesses were prosperous, people were employed and being treated more fairly. People were earning more than ever before, as well as spending more than ever before. The use of credit was prevalent, everyone wanted what they wanted now, people stopped saving for the things they wanted.

During the 1920's, sometimes referred to as the “Roaring Twenties”, the U.S. Economy expanded rapidly. The Nations total wealth more than doubled between 1920 and 1929. The stock market was the scene of reckless speculation. Everyone from millionaires to cooks and janitors poured their life savings into stocks. ([www.History.com/thegreatdepression](http://www.History.com/thegreatdepression)) The crash of the stock market came in 1929, it was the beginning of turbulent times for most Americans.

This was the way to wealth, or so they thought. It was also said to have helped strengthen facism in Germany, due to the business failures and widespread unemployment. (Southwestern Volume Library, pg. 20:74)

October 24, 1929, what is now known as “Black Thursday”, a record 12.9 million Shares were traded. (History website) Five days later, “Black Tuesday” there was a wave of panic among Americans who began to try to sell stocks, but it was too late and most of shares became worthless. On “Black Tuesday”, over 16 million shares were dumped. (Southwestern Volume Library, pg. 27:54) There was a wave of things that followed the crash, people were wiped out completely, financially.

Recessions and Depressions almost always result from decreased productivity, causing a loss of jobs, over the next few years, millions of Americans were out of work. Between 1929 and 1933, output of goods and services declined by 31%, business investments dropped to 1/6 of their 1929 value. The unemployment rate went from 3% to 25%. (Southwestern Volume Library, pg. 12:64) One in four people were out of work. People were forced to look to bread lines and soup kitchens for food. Many people lost their homes, the homeless rate grew. The charities were unable to keep up with the demand of people looking for assistance.

The crash was not the only factor playing into the Great Depression, as farmers were trying to make money to live, they increased the amount of land they plowed to plant more crops. Crops began to fail, with the onset of drought in 1931, this left the bare, over worked land to become barren and dry. Without the grass, it began to blow away, this led to massive dust storms, which caused not only economic devastation, but loss of lives. The Dust Bowl, also known as “the Dirty Thirties”, started in 1930, and lasted about a decade, but the economic effects lasted much longer. ([www.History.com/dustbowl](http://www.History.com/dustbowl))

Along with the Crash of the stock market, came banking panic. Over 1500 banks failed, taking with the life savings of many Americans. The banks raised interest rates and cut back on lending to try to save themselves. The government tried to help with funds that were given to the banks, but it failed. The Federal Reserve deliberately reduced the money supply to maintain the gold standard. The Gold Standard undoubtedly played a role in the spread of the Great Depression to other countries. ([www.britannica.com](http://www.britannica.com)), Causes of the Great Depression)

There was also a decrease in international lending and tariffs. Due to the struggling agriculture in America, there were higher tariffs put on imports from other countries. The Smoot-Hawley Tariff Act of 1930 imposed steep tariffs averaging 20% on a wide range of agricultural and industrial products. This caused a decline in the output in several countries and reduced global trade.

Women seemed to be the only ones who saw an increase in jobs. The loss of work for the men in the families caused many women to have to join the workforce to help support the family. There was a 24% increase in the number of employed women in America, between 1930 and 1940. By 1940, some states were putting a restriction in place on women in the workplace. It was known as the marriage bars, working wives were taking jobs away from men. They were doing jobs most men would not want and were doing it for far less pay.

([www.History.com/causesofthegreatdepression](http://www.History.com/causesofthegreatdepression))

The human toll was staggering. In 1929, the American economy stood at its peak. By 1933, it was at an all-time low. In 1929, the national income was \$88 billion, and by 1933 it had declined to \$40 billion. Unemployment went from 3.1% to a 25%, that is one in four Americans out of work. Some areas were hit harder than others, Cleveland Ohio had 50% of the workforce unemployed, while in Toledo, 80% were out of work. Over 9,000 banks had shut their doors by

1932, wiping out millions of savings accounts. “Jobless, homeless victims wandered the streets in search of work”. (The American Promise, pg.699)

It seems that while the Crash of the Stock Market may have started the Great Depression, many factors played into it. Over production of consumer goods, as well as over confidence in the 1920's caused the crash though. After the crash there was a lack of demand for the purchase of consumer goods. The Crash caused bankruptcy and high levels of debt, because people had purchased stocks with borrowed money. When the banks failed, that caused a lack of credit being offered to Americans, making it difficult for them to have money to grow crops, as well as causing many businesses to fail.

Works Cited

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