

## The Great Depression (USA, 1929-1939)

The Great Depression was the worst economic event in the history of the industrialized world, and lasted from 1929 to 1939. It began after the stock market crash of October 1929, which sent Wall Street into a panic and financially destroyed millions of investors. Over the next three years, consumer spending and investment dropped, causing an enormous decline in industrial output, and employment fell drastically as companies laid off workers. In 1933, when the Great Depression was at its lowest point, the unemployment rate was 25% and nearly half the country's banks were broke.



### How did the Great Depression happen?

During the 1920s, the U.S. economy had expanded rapidly, and the nation's wealth more than doubled between 1920 and 1929. The period was known as "the Roaring Twenties."

The stock market, centered at the New York Stock Exchange on Wall Street in New York City, was the scene of reckless speculation, where everyone, from millionaires to janitors put their savings into stocks. As a result, the stock market expanded rapidly, reaching a peak in August 1929.

At that time, unemployment was rising, and stock prices were very high. Wages were low, debts were high, the agricultural sector was struggling due to drought and falling food prices, and banks had many loans that could not be liquidated. Stock prices continued to rise, and they reached levels that could not be justified by future earnings. On October 24<sup>th</sup>, 1929, nervous investors started to sell their shares in large quantities. It was a snowball. The crash happened in one day. 12.9 million shares were sold. It was known as "Black Thursday".

Five days later, on October 29<sup>th</sup> ("Black Tuesday"), 16 million more shares were sold during another wave of panic. Millions of shares became worthless, and those investors who had bought stocks with borrowed money went bankrupt. Over the following weeks, many suicides were reported.

Consumer spending stopped immediately. The lack of spending and investment caused factories and other businesses to slow or stop production, and they started to lay off their workers. For those who stayed employed, their wages fell and their buying power decreased. Many Americans who had credit on their homes couldn't pay, and many lost their houses. The country's industrial production dropped by 50%. Homeless people became more and more common in America's towns and cities. Farmers couldn't afford to harvest their crops, and were forced to leave them rotting in the fields while people everywhere were hungry. In 1930, severe droughts in the Southern Plains inspired a mass migration of people from rural areas to cities in search of work.

## **Banks**

In the autumn of 1930, banking panics began. Many investors lost confidence in the banks and demanded their money in cash, forcing banks to liquidate loans. In 1933, many banks went bankrupt. President Hoover (1929-1933) tried to support the banks with government loans, but it made little difference.

On March 4<sup>th</sup>, 1933, all remaining banks were ordered to close, and the U.S. Treasury didn't have enough cash to pay the government workers. The new president, Roosevelt (1933-1945), projected a calm energy and optimism, and he famously said "*the only thing we have to fear is fear itself*".

## **The beginning of the Recovery**

Roosevelt took immediate action to address the country's economic problems. He addressed the public over the radio in an attempt to restore public confidence in the banks. During his first 100 days in office, his administration passed legislation that aimed to stabilize industrial and agricultural production, create jobs and stimulate recovery. Roosevelt also reformed the financial system and regulated the stock market to prevent future abuses. He also created the "Works Progress Administration" (WPA), a permanent jobs program that employed 8.5 million people from 1935 to 1943.

When the Great Depression began, the United States was the only industrialized country in the world without some form of unemployment insurance or social security. In 1935, Congress passed the Social Security Act, which, for the first time, provided Americans with unemployment benefits, disability benefits and pensions.

The economy started to improve in the spring of 1933, and for the next three years, it grew at an average rate of 9 percent per year.

However, another recession hit the USA in 1937, which defeated many of the recent gains in production and employment, and which extended the effects of the Great Depression to the end of the decade.

## **Women**

From 1930 to 1940, the number of employed women in the United States rose 24 percent from 10.5 million to 13 million. The financial pressures of the Great Depression caused women to take jobs, since many men were losing their jobs. But there was another problem - the jobs created by the WPA for women confined them to jobs like sewing and nursing, jobs that paid less than jobs reserved for men. Married women faced an additional problem. In 1940, 26 states created restrictions on married female workers, because working wives were perceived as taking away jobs from men.

When war started in Europe in 1939, the WPA turned its attention to military spending. In 1941, the country's factories went back to full production and many more jobs were created. This expanding industrial production, together with widespread conscription into the armed forces, reduced the unemployment rate significantly. The Great Depression ended at last, and the United States turned its attention to the global conflict of World War II.

**Source:** <https://www.history.com/topics/great-depression/great-depression-history>