Great Depression

The economic slump that began in 1929 in North America, Europe and other industrialized regions of the world. It originated in the United States, where it was triggered by a catastrophic collapse of stock market prices on Black Thursday, resulting in the insolvency of many banks. As the US was the major creditor and financier of postwar Europe, whose economies had been weakened by the war itself, its effects were soon felt across the Atlantic. See also Dust Bowl; New Deal; Okies.

Summary Article: Great Depression

The Great Depression was the most severe economic downturn in U.S. history. Beginning with the initial decline in August 1929 and punctuated by the stock market crash of October 29, 1929, the Depression lasted nearly a decade and created unprecedented levels of unemployment, poverty, and homelessness. The gross national product (GNP), the total value of all goods and services produced each year, fell from $104.4 billion in 1929 to $74.2 billion in 1933, setting back the per capita GNP by 20 years. From 1929 to its peak in 1933, the U.S. unemployment rate soared from 1.5 million persons without jobs to more than 12.8 million, though some estimates placed that number as low as 10.6 million and as high as 16 million. By 1933 the annual national combined income had shrunk from $87.8 billion to $40.2 billion. Farmers, who were perhaps affected most severely, witnessed their total combined income drop from $11.9 billion to $5.3 billion. With so many people unemployed, starving, and homeless, the American population looked to the government for answers, thus transforming the federal government's economic role in a significant and lasting way.

Rampant trading and speculation using borrowed money caused stock prices to triple between 1924 and 1929. When investor confidence faltered in late 1929, prices plummeted and the global economy was plunged into a
A defining moment in twentieth-century American history, the Great Depression left most people baffled. Men wanted to go to work, but plants stood dark and idle. Prolonged unemployment created a new economic class, with the jobless selling apples on street corners and standing in breadlines and outside soup kitchens. Many lived in “Hoovervilles,” shantytowns on the outskirts of large cities that were named for President Herbert Hoover (in office 1929–33). Thousands of unemployed men and boys took to the road in search of work, and gas stations became meeting places for men “on the bum.” The angriest Americans were those in rural areas, where cotton was bringing only 5 cents a pound and wheat only 35 cents a bushel. Many people believed that the country faced a future of limited opportunity. The slowdown of marriage and birth rates illustrated this pessimism. The Depression smashed long-held beliefs in rugged individualism, the sanctity of business, and a limited government.

For the first two years of the Depression, which spread worldwide, President Herbert Hoover tried to rely on the voluntary cooperation of business and labor to maintain payrolls and production. Although Hoover believed that unemployment should be addressed by local governments, congressional Democrats wanted the federal government to assume responsibility for direct relief and to spend heavily on public works. A partisan fight ensued, but as the crisis deepened, Hoover took steps to stop the spread of economic collapse. In January 1932 he signed the Reconstruction Finance Corporation Act, which created a loan agency designed to aid large business concerns, including banks, railroads, and insurance companies. In July of the same year the act was amended to include the Emergency Relief and Construction Act, which provided $300 million for local relief loans and $1.5 billion for public works projects. In addition, Hoover obtained new funds from Congress to decrease the number of farm foreclosures and signed the Home Loan Bank Act to help prevent the foreclosure of home mortgages. Despite these efforts, the Depression only worsened. By the time Hoover’s term in office expired, the U.S. banking system had virtually collapsed, and the economic machinery of the nation was grinding to a halt. Hoover left office with the reputation of a do-nothing president, although both the Reconstruction Finance Corporation and the Emergency Relief and Construction Act ultimately became key aspects of the New Deal programs of President Franklin D. Roosevelt (in office 1933–45).

Facing the greatest American crisis since the Civil War, Roosevelt promoted the belief that the federal government should provide economic relief, recovery, and reform. After temporarily closing banks, he worked with a special session of Congress to set up a variety of agencies that would aid business and labor, support farm prices, subsidize mortgage payments, and assist the unemployed. The agencies also insured bank deposits and regulated the stock market. In August 1935 Roosevelt signed the Social Security Act, which provided compensation to the elderly, the unemployed, and those who had lost family members. Although the New Deal increased confidence in the economy and saved many from starvation and homelessness, the measures greatly increased the government's direct involvement in social and economic areas in unprecedented ways. The majority of the nation supported Roosevelt, but the New Deal garnered some criticism for its promotion of increased spending and an unbalanced budget.

By early 1937 there were signs of recovery in the U.S. economy. Business indexes were up—some near precrash levels. However, by the middle of the year the economy again went into a sharp recession that was almost as bad as 1929. Conditions improved by mid-1938, and the Depression finally ended as the government launched massive defense spending in preparation for World War II (1939–
SEE ALSO Great Depression and World War II, 1929-45 (Overview); Hoovervilles; New Deal; New Deal: Reform or Revolution; Reconstruction Finance Corporation (RFC); Social Security Act (1935); Stock Market Crash of 1929

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