A REPORT ON THE CAUSES OF THE GREAT DEPRESSION

The causes of the Great Depression in the early 20th century have been extensively discussed He cites a report by Barry Eichengreen and Douglas Irwin: Figure 1 in that report shows trade and production dropping together from to.

He notes that exports were 7 percent of GNP in , they fell by 1. The 22 percent decline in marriage rates between and also created an increase in single women in search of employment. The number of African-Americans working in government tripled. The city banks also suffered from structural weaknesses that made them vulnerable to a shock. These trends are in nowise the result of the present depression, nor are they the result of the World War. One major economic issue of the time is one that still greatly affects America today: Income inequality. Oil prices reached their all-time low in the early s as production began from the East Texas Oil Field , the largest field ever found in the lower 48 states. When Britain, for example, passed the Gold Standard Act of , thereby returning Britain to the gold standard, the critical decision was made to set the new price of the Pound Sterling at parity with the pre-war price even though the pound was then trading on the foreign exchange market at a much lower price. The richest one percent of Americans owned over a third of all American assets. The result was a profound psychological shock and a loss of confidence in the economy among both consumers and businesses. Her bleak photos captured the desperation of the era, as evidenced through this portrait of an year-old migrant worker and her child. As people lost their jobs, they were unable to keep up with paying for items they had bought through installment plans; repossessions and evictions were commonplace. The American economy entered a mild recession during the summer of , as consumer spending slowed and unsold goods began to pile up, which in turn slowed factory production. Chief counsel of the Senate Bank Committee, Ferdinand Pecora, disclosed that National City executives were also dependent on loans from a special bank fund as a safety net for their stock losses while American banker, Albert Wiggin, "made millions selling short his own bank shares". Accordingly, foreign central banks attempted to counteract the trade imbalance by raising their interest rates, which had the effect of reducing output and prices and increasing unemployment in their countries. Smoot-Hawley Tariff Act Tariffs. Economic growth would inevitably stall. Massive dust storms choked towns, killing crops and livestock, sickening people and causing untold millions in damage. The New Deal policies steadily helped lead the economy back - albeit with a brief recession in There were fundamental structural weaknesses in the American economic system. Upon succeeding to the Presidency, Herbert Hoover predicted that the United States would soon see the day when poverty was eliminated. Bank runs swept the United States again in the spring and fall of and the fall of , and by early thousands of banks had closed their doors. Roosevelt Elected Hoover, a Republican who had formerly served as U. As the economy began to fail, these banks were no longer able to support those who depended on their assets â€” they did not hold as much power as the larger banks. By the end of the decade, more than 9, banks had failed. In the USA the economic policies had been quite the opposite until Roosevelt campaigned on change, and after a Hoover administration of depression, the American people were ready for it. Not all countries enforced the same measures of protectionism. The reduced money supply in turn reduced prices, which further discouraged lending and investment because people feared that future wages and profits would not be sufficient to cover loan payments. There are several theories as to how the economy was able to collapse, but the most obvious occurrence that portended doom and started the depression was the stock market crash that happened in October of They were designed to create jobs, allow unionization, and provide unemployment insurance. Wages for those who still had jobs fell.