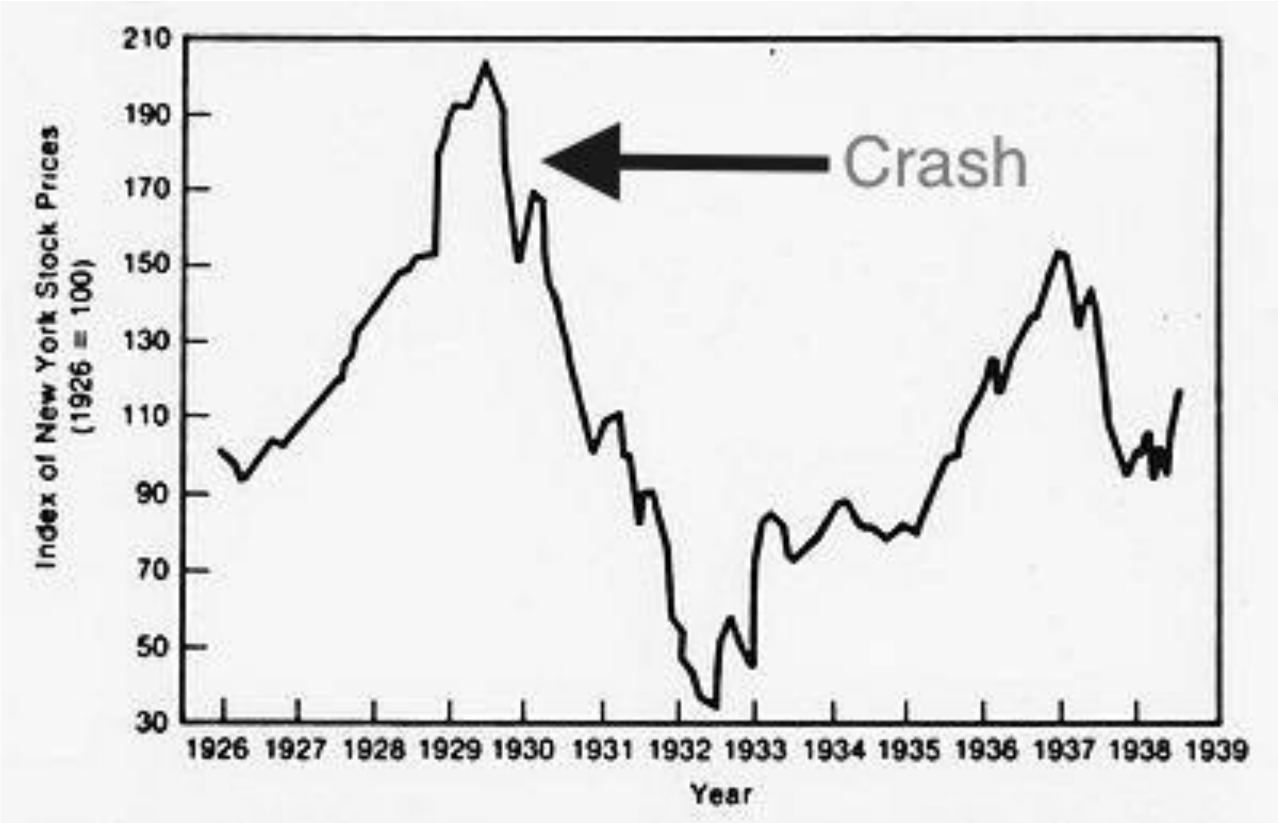
THE GREAT DEPRESSION

Braydens Inquiry Project

WHAT WAS THE GREAT DEPRESSION?



- While it is mostly known as the stock market crash of 1929, there is a lot more to uncover about The Great Depression. The great depression was a time of economic suffrage during the late 1920's and early 1930's. It was filled with loads of economic problems which only led to a chain reaction of other economic issues. It was a time where people would struggle daily to meet their common needs and survive. As I said, the reason lots of people know it as the crash of 1929 is because that stock market crash would be considered the start of the chain reactions that caused our economic downfall.

HOW WAS IT BEFORE THE CRASH?

- Leading up to the crash, the federal government kept the interest rates low, which made borrowing money very easy for people. People would borrow lots of money to invest into the stock market. As people would invest, the stocks prices would begin to increase and so would there demand. At the time, the worlds economy would have been considered stable and growing. Farmers were making good money with their crops but they felt that they needed a machinery upgrade and would buy machines on credit to help increase their inventory. People were also purchasing goods each day and money was circulating the economy.

THE STOCK MARKET CRASH

- The Stock Market Crash of 1929 was the main cause of societies economic downfall. While the Great depression had many underlying causes, this would be considered the biggest cause. One of the biggest things that caused the stock market crash was when the market had a small dip. This small dip caused wide-spread panic across the country. People began to sell their stocks crazy fast worried that they would be worth money. This caused everyone's stocks to loose value and it left many people very broke.

WHY WAS THE STOCK MARKET CRASH WAS SO IMPORTANT?

- The Stock Market Crash was a very important time mark in The Great Depression. It showed how the economy was very dependent on borrowing and trading money because if the economy was less dependent on it, then the Stock markets crash impact would have been a lot lower then it actually was.

THE BIG QUESTION

- The Great Depression sparks up one big question. How did stock market crash cause world wide poverty? This question has no straight forward answer but, its more open ended and debateable. The Great depression started with the stock market crash but the stock market fueled lots of our economies imperfections making them stronger and that is what truly made our economy so horrific. Lets go a bit deeper into that...

BANK FAILURES

- Before the crash lots of banks would lend out loans to people who would invest that money into stocks. Towards the end of the 1920's when the stock market crash occurred, people began to rapidly pull all of their money out of banks in a panic with the fear that they would loose all their money. This fear was present because if the people could not pay back their loans, that means the bank would be losing money. And banks will loan out your money to gain interest on it. So if people can not pay back the banks, then people would not be getting their money from their bank accounts. So with the banks not being able to meet peoples withdrawal demands, lots of people went absolutely bankrupt. This created a very poor view over banks where most people saw banks as failing. It led to everyone losing more confidence in the system which led to even more withdrawals. By 1933, about 9,000 banks had closed in the United States due to bankruptcy.

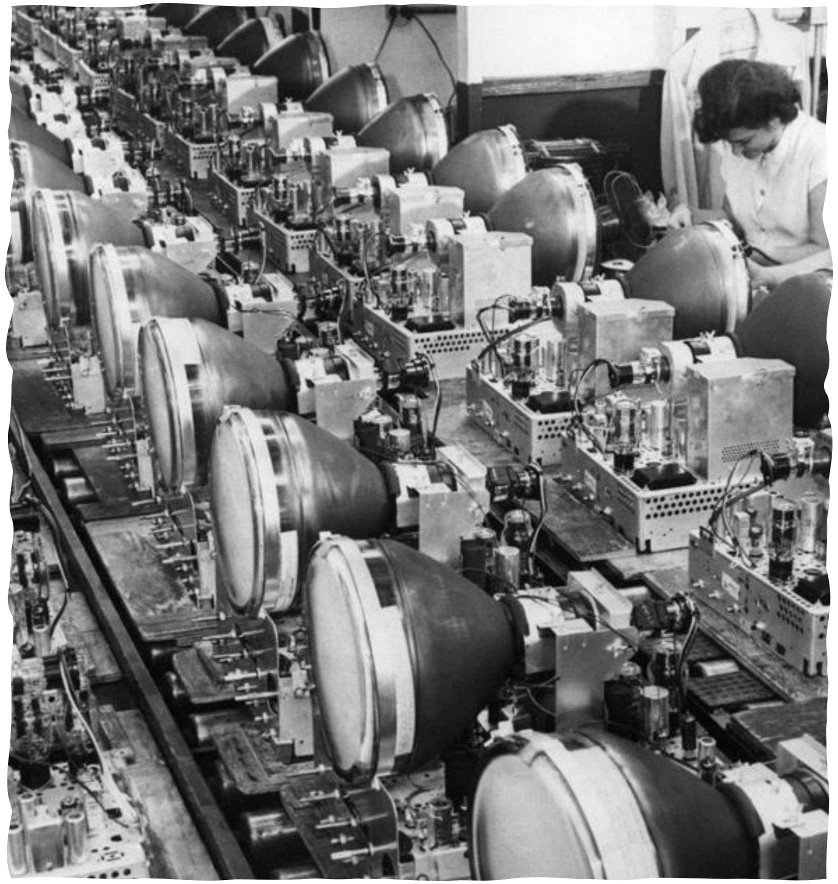
AN UNDERLYING CAUSE TO THE BANKS FAILURE

- At the time of the Great Depression, there was a huge lack of federal protection on banks. There was no deposit insurance or government guarantees on people's money. This meant that if a bank ever failed, all of the people who were with that bank would lose all of their money. This key thing was the main reason that millions of families lost all of their money they had saved up during The Great Depression.

"WE HAVE NO MONEY!" THE CUSTOMER SPENDING REDUCTION

- As banks began to fail and everyone started to lose of all their money due to things like lost savings from all of the bank closure. A fear was growing for businesses. "A Customer Spending Reduction". Since everyone was losing money, this meant that people would naturally spend less and be more cautious with their money using it only on necessities like food, clothing, water, etc. All of this meant that businesses had a huge problem. Nobody was buying their products. This meant that they would need to lay off their workers, and make their prices even cheaper further worsening the economy. During this time lots of businesses ended up closing down as they were too poor to keep them running.

BUSINESESS WON'T BUY OUR PRODUCT!
THE OVERPRODUCTION IN MANUFACTURING



- Leading up to the crash, Factories were doing very well in the manufacturing system. They had made deals with plenty of companies and would sell them bulks of products regularly, and factories would take out heavy loans to invest in better machinery for quicker production. When the prices eventually dropped, lots of bussinesses began to close down as they could not afford to keep their business running. This lead to a very quick over production in the manufacturing system. They had made tons of products due to their very high demand so when the prices dropped they had lots of inventory. They tried to make prices on inventory as cheap as they could, but everybody was in to much debt to possible be buying their inventory which put many factories out of business increasing unemployment.

THE SPENDING REDUCTIONS "CONTINUOUS LOOPHOLE"

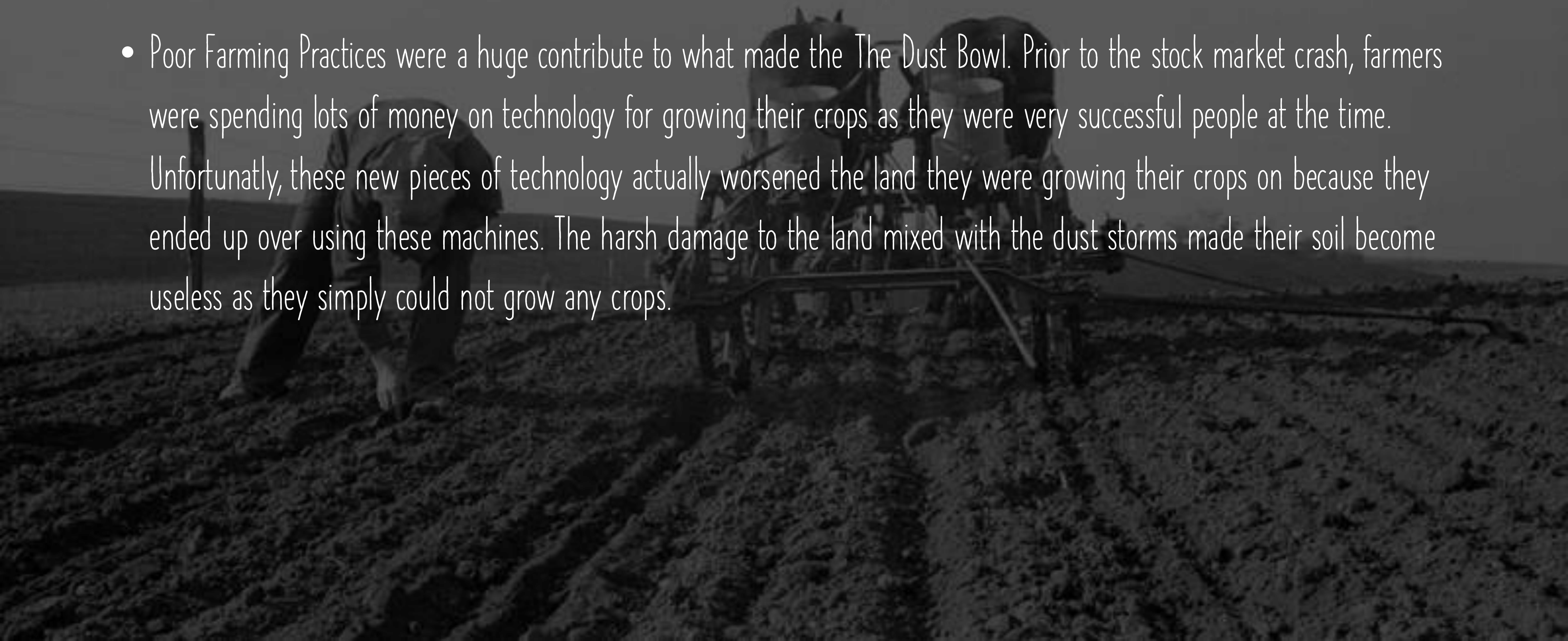
- With businesses failing all across the United States, a loop hole of worsening economic conditions began. Since businesses are beginning to fail they are making their prices cheaper in hopes of making any form of profit. This means that when they go to buy more inventory, they will need to buy less and less as the prices keep dropping. Eventually, the businesses will end up closing down due to the extremely low profit margins which will cause the manufacturing systems to make less money as well as they are losing businesses to sell their goods too. As manufacturing factories begin to come to an end, that means the unemployment percentage will increase even more causing an even further drop into the economy. And it doesn't stop there, manufacturing facilities get their materials from lots of different kinds of people. So if manufacturers don't have anyone to buy their product, this means that the people they get their materials from will lose money which gives this the name "The Continuous Loophole."

THE DUST BOWL

- During The Great Depression there was an environmental disaster which occurred in the center of the United States and it lasted a majority of the 1930's. This was known as the Dust Bowl and it helped make the worlds poverty become even worse. The Dust Bowl was a combination of bad drought and poor farming practices with some high winds. It primarily affected the Great plains region, including states like Oklahoma, Texas, Kansas, Colorado, and New Mexico.

POOR FARMING PRACTICES

- Poor Farming Practices were a huge contribute to what made the The Dust Bowl. Prior to the stock market crash, farmers were spending lots of money on technology for growing their crops as they were very successful people at the time. Unfortunatly, these new pieces of technology actually worsened the land they were growing their crops on because they ended up over using these machines. The harsh damage to the land mixed with the dust storms made their soil become useless as they simply could not grow any crops.



THE FARMING COLLAPSE
"OUR CROPS WONT SELL AND WE CAN'T GROW ANY!"

- As a result of the stock market crashing it became very difficult for farmers to sell their crops to local businesses as they were all closing from the customer spending reduction. Farmers began to drop their prices worsening the economy. When the dust storms hit, farmers could not grow any more crops and eventually had to close down their farms as it was costing them more then it was making them. With farms closing down this affected the countries who would buy product off of these farms making the agricultural collapse in the united states a big contributor to the world wide poverty.

THE FEDERAL RESPONSES "YOU'RE ONLY MAKING IT WORSE!"

- The Federal Responses to The Great Depression were a factor that only helped worsen the economy. They would make decisions that they would think help restore our economy but everything they did it would do the complete oppossite of what they thought. It was a mixture of policy changes and inputs that added a sick twist to this time of sufferage.

INTEREST RATES HAVE BEEN RAISED?

- The Federal Government raised interest rates during this time in hopes that it would help prevent inflation. This meant that businesses had to pay more money to borrow. The government did this to prevent inflation on sumer goods and control the stock market. They wanted to slow down the quickly growing economy but doing this only resulted in an even slower economy because the economy already was not doing well with borrowing as people were unlikely to take loans or make investments. So, all this did was slow down business.

THE MARKETS LOSING MONEY

- The result of the increased interest rates made it harder to gain access to money in the market, making it harder for people to obtain. Since raising interest rates made borrowing money much harder, it reduced the cash flow into businesses and households. Without any money to spend or invest, the economy slowed down.
- The decreased access to money slowed down consumer spending and business investment which ended up worsening the economy.
- In summary, The Federal Government was too focused on fixing inflation and failed to provide the correct economic support that was needed, like lowering interest rates or increasing the money supply. The Goverments actions only ended up leading to an even deeper depression.

WHAT CONNECTS TO WHAT?

- The Great Depression was filled with lots of immediate causes which led to lots of underlying causes which had underlying causes. In simple form, It was a train of events leading to even worse events. Lots of these events can connect to each other to help provide a deeper understanding of what caused what during The Great Depression.
- The Great Depression began with the stock market crash in 1929, which caused people to lose their savings and spend less. Banks failed because they ran out of money, leaving people unable to access their money or get loans. Businesses couldn't sell their products or pay workers, so many shut down, and millions of people lost their jobs. Farmers also suffered, as crop prices fell, and the Dust Bowl destroyed farmland. To make things worse, the government raised interest rates, making it harder for businesses and individuals to borrow money, which further slowed the economy. Each problem was connected, creating a continuous cycle of economic suffrage
- In short: Money problems → business problems → job loss → spending drops → everything gets worse.

CONCLUSION "WHAT LIFE WAS TRULY LIKE"

- Overall, life during the Great Depression was a struggle for most people. Families who had lost their savings in the bank failures after the stock market crash were often forced out of their homes, leaving many to live on the streets where survival was a daily challenge. Without money, basic necessities like food, water, and clothing became desires, leaving people starving and cold. Farmers faced the added trouble of the Dust Bowl, which destroyed farmland and forced many to abandon their homes in search of work elsewhere. Fear of the future came to people as unemployment continued to rise, making it harder to find jobs and leading to longer food lines where not everyone would get fed. As the Depression worsened, surviving became increasingly difficult for civilians, farmers, and businesses . The Great Depression is a strong reminder of how poor economic conditions can create extreme suffering across all parts of society.

THE SOURCES "WHERE'D YOU GET THAT FROM?"

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