

The Cause of the Great Depression

The 1920s was a decade of wealth and prosperity for many Americans. Employment was high, and Americans had money to spend on many new items produced by factories. Millions of families could now afford to buy the automobiles produced by mass production lines in factories. Refrigerators were invented to help preserve food, which contributed to improved health. Radios were widespread, and almost every family had one in their home. The first black-and-white movies, or motion pictures as they were called, were made in the early 1900s, and by 1927, the first sound motion picture, *The Jazz Singer*, had been produced.

Life seemed to be improving in other ways too. People were relieved and happy that the “Great War,” also called “The War to End All Wars” (what we now know as World War I), had ended in 1918. In 1920, the states had voted to approve the Nineteenth Amendment to the Constitution, which gave women the right to vote. Throughout the 1920s, women expressed their enjoyment of their new rights and freedoms by wearing knee-length dresses and by adopting freer lifestyles. More people were becoming educated and were going to college. Although the selling, buying, and drinking of alcohol had been outlawed, many people purchased it illegally and drank it at parties that featured lots of music and dancing. The decade of the 1920s is often called “The Roaring Twenties” or “The Jazz Age,” for the music that was popular during this time.

Toward the end of 1929, however, things changed, and they would never be the same again. Everything came crashing down on one particular day that became known as “Black Tuesday.” To understand Black Tuesday, however, it is important to understand the idea behind the stock market. Not only were there more things to enjoy in the 1920s, but there were more opportunities for people to invest their money and increase their wealth. Investment is a way in which people earn greater wealth by putting a portion of their money into an opportunity like a bank or business, which will eventually return to them more money as it grows.

Many people began investing their money in businesses by buying stocks, which are small shares of a company. In theory, stock owners actually own a very small portion of a company. Many stocks in the U.S. are traded on the New York Stock Exchange, which is located on Wall Street in New York City. Each person who buys a stock in a company gives money to the company with the hopes that the company will do well and the stock price will go up, increasing the value of that person’s investment. If the company does well, then its stocks go up, and stock owners will be able to sell their stocks at higher prices than they bought them for.

In the 1920s people viewed the stock market as a way to get rich. Instead of realizing that sometimes companies do poorly and that stock prices can go down as well as up, people invested more and more money into the stock market. Often, people had no idea what companies they were investing in. They just wanted to get rich and get rich fast.

Toward the end of October in 1929, a sudden panic ensued among stock owners, and many began selling their stocks. The panic became so widespread and so many people tried to sell at the same time that stock prices took a nose-dive, many of them falling so fast that they became worthless in a matter of hours. The day that the stock market completely collapsed was on October 29, a day which later became known as “Black Tuesday.”

As people began to panic, they went to their banks and attempted to withdraw their money. Banks, however, do not keep everyone's money in cash on hand; instead, many banks had also invested their customers' money in the stock market, and they lost as well. The panic continued as people rushed to their banks to get whatever money they could. In the end, the majority of the banks went out of business.

Over night, millionaires became poor people. As the stock market crashed and banks closed, businesses went under, and millions of people lost their jobs and their money. Factories stopped producing, and farmers lost their lands. Many people were unable to afford even the most basic of living essentials, such as a house and food.

Families lost their homes, and many were forced to find food wherever they could. People with nothing to eat waited in long "breadlines" for food handouts from charitable organizations. By 1932, one-fourth of all Americans who were able to work could not find a job.

This condition in which the economic condition of a country, including jobs, prices, and living styles, becomes worsened on a widespread social scale is called a depression. In Europe, similar economic depressions and bank collapses only made conditions worse in the United States. This period beginning in 1929 lasted for many years; it lasted so long, in fact, that this time has become known as "The Great Depression."

During this time, people naturally turned to their president to save them from this catastrophe. The president at the time was Herbert Hoover, who had been elected in 1928. At first, Hoover and his presidential advisors assumed that, if given time, the economy would improve on its own. As the situation became worse and greater numbers of people lost their jobs, Hoover tried to improve the situation. Hoover increased building projects to restore jobs and created policies to provide financial assistance to banks and other institutions.

President Hoover's efforts, however, were not enough, and people began to blame him for not doing more to help. Many homeless and jobless people were forced to build temporary homes, or "shanties," out of boxes, crates, and whatever else they could find. They expressed their bitterness toward their president by calling these shantytowns by the name of "Hoovervilles." Conditions in the U.S. only seemed to be getting worse.

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