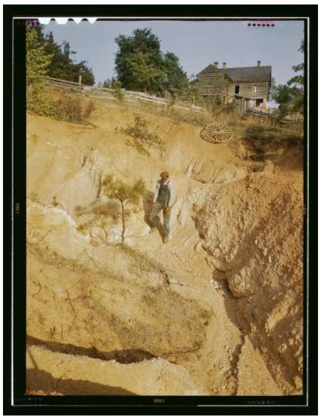
# CAUSES OF THE GREAT DEPRESSION





Jack Delano took this color transparency, depicting eroded Georgia farmland, during October of 1940. A severe drought had worsened the impact of the Great Depression on American families. Image online via the Library of Congress.

The Great Depression caused many suicides, massive unemployment, disrupted lives and destroyed fortunes. But:

- What caused the Great Depression?
- Why were so many people out of work?
- Why were thousands of families forced to uproot and migrate to places like California?
- Did the stock market crash - of October 24, 1929 - itself cause the " run on banks" a few years later?
- And ... why did the Great Depression last so long?

Knowledgeable people have debated these questions ever since the Great Depression. Some economists conclude that wild stock market speculation contributed to the nightmare. (1929 headlines, from *The New York Times,* show economists were seriously debating the strength of the market in the days before the crash.)

President Hoover thought the depression was caused by the disruptions of World War I, the poor structure of American banks and the failure of Congress to act on many of his proposals. Still others blamed Hoover himself, and the policies of his administration.

At the time, people throughout the world cared more about finding ways to survive than they cared about finding reasons for the cause of the economic decline. Songs of the day, (like 1932's *Brother, Can You Spare a Dime?* reflect anguish but other tunes (*All of Me* and *On the Sunny Side of the Street* ) demonstrate human resiliency.

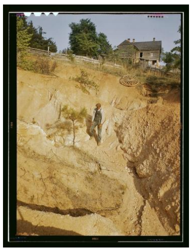
Government intervention (introduced by Franklin Roosevelt's "New Deal") helped, but America remained in the grip of the Great Depression until 1941.

Not until World War II, when millions of men were drafted—and millions of women went to work in factories to support the war effort—did the United States emerge from its darkest economic downturn.

See Alignments to State and Common Core standards for this story online at:
http://www.awesomestories.com/asset/AcademicAlignment/CAUSES-OF-THE-GREAT-DEPRESSION-Great-Depression

See Learning Tasks for this story online at:
http://www.awesomestories.com/asset/AcademicActivities/CAUSES-OF-THE-GREAT-DEPRESSION-Great-Depression

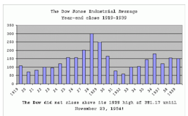
Media Stream



[Eroded Georgia Land during the Great Depression](http://www.awesomestories.com/asset/view/Eroded-Georgia-Land-during-the-Great-Depression)
In addition to many other woes, during the Great Depression, Americans also endured droughts which severely impacted the peoples' ability to grow crops (for themselves and for purchase by others).

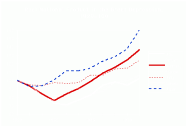
This image depicts a drought situation in Georgia during 1941. Jack Delano, a photographer working for the Farm Security Administration, took the color transparency.

The Library of Congress maintains the original slide, and its curators describe it with these words:
*Greene Co. Ga., eroded farm land*
*Click on the image for a better view.*
*Jack Delano, working for the Farm Security Administration, took this photo of eroded Georgia land during October of 1940. Image online via the Library of Congress.*
*View this asset at: http://www.awesomestories.com/asset/view/Eroded-Georgia-Land-during-the-Great-Depression*

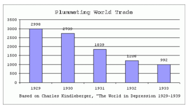


Graph - The Yearly Dow Industrial Average
Image online, courtesy Wikimedia Commons.
View this asset at: http://www.awesomestories.com/asset/view/Graph-The-Yearly-Dow-Industrial-Average

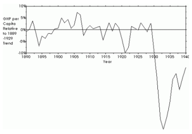
Children Expressing Their Views of Hoover
Image online, courtesy the Franklin D. Roosevelt Library, National Archives.
View this asset at: http://www.awesomestories.com/asset/view/Children-Expressing-Their-Views-of-Hoover



Graph - Real National Product in the Great Depression
Image online, courtesy Bradford DeLong's *Slouching Toward Utopia?* via the e-ducation.net website.
View this asset at: http://www.awesomestories.com/asset/view/Graph-Real-National-Product-in-the-Great-Depression



Graph - Plummeting World Trade
Image online, courtesy the freerepublic.com website.
View this asset at: http://www.awesomestories.com/asset/view/Graph-Plummeting-World-Trade



Graph - Yearly GNP Per Capita
Image online, courtesy Assumption College website.
View this asset at: http://www.awesomestories.com/asset/view/Graph-Yearly-GNP-Per-Capita

## Stock Market Crash of 1929 - Loans Denied

The federal government did little to help the sinking market in 1929. Almost everyone lost money. At the end of five days, approximately $25 billion of personal wealth had evaporated.

To some, suicide seemed the only way out. People who'd worked thirty or forty years, to amass a fortune, lost everything. Even people who never invested in the market were also impacted.

Confidence in the economy at large deteriorated, and people began to think their money was no longer safe in their local banks. Another panic began as people rushed to remove dollars from their deposit accounts.

If the banks had made bad choices, in their own investments, nothing was in place to protect individual depositors. Federal-deposit insurance was unheard-of at the time.

When banks were out of money, bank depositors were out of money. A massive "run on banks" caused more than 2,000 institutions to fail in 1931.

Many banks - like this one in Haverhill, Iowa - did not have enough reserves to stay in business. Soon it, and others like it, became a place of billboards instead of a place of business.


The American financial system was not just unstable. It seemed worthless.

The stock market crash did not create the Great Depression, but it set the whole process in motion. All kinds of businesses - even solid ones - could no longer get loans. This lack of credit caused businesses to lay-off workers or to close. Bankruptcies followed, causing even more people to lose their jobs.

The damage to Americans, as a whole, was unbelievable. The events of the crash, and the resulting great depression, are second only to the civil war in terms of national trauma.

Lines of unemployed men were everywhere. People who couldn't pay rent were evicted. Families who couldn't pay mortgages were foreclosed. Huts, made of cardboard boxes, were turned into dwellings.

It was a terrible time.

**See, also:**

**Stock Market Crash of 1929 - Part 1**

**Stock Market Crash of 1929 - Part 2**

**Stock Market Crash of 1929 - Part 3**

**Stock Market Crash of 1929 - Part 4**

**Stock Market Crash of 1929 - Part 6**

Image of a "run on the bank," National Archives Photo, NLR-PHOCO-A-7420(1007).
Image of Haverhill, Iowa failed bank online courtesy Library of Congress, image *LC-USF34- 028362-D*.
Clip from "1929: The Great Crash," online via BBC.  Clip provided as fair use for educational purposes and to acquaint new viewers with the program.
BBC provides the following background about this documentary which explores causes of the 1929 Wall Street Crash:

*Over six terrifying, desperate days in October 1929, shares crashed by a third on the New York Stock Exchange. More than $25 billion in individual wealth was lost. Later, three thousand banks failed, taking people's savings with them. Surviving eyewitnesses describe the biggest financial catastrophe in history.*

*In 1919, the US had emerged victorious and dominant from World War One. Britain and its European allies were exhausted financially from the war. In contrast, the US economy was thriving and the world danced to the American tune.*

*Easy credit and mass production set the tone in the roaring twenties for an era of consumption like none that had ever been seen before. The stock market rose and investors piled in, borrowing money to cash in on the bubble. In 1928, the market went up by 50 per cent in just 12 months. The crash was followed by a devastating worldwide depression that lasted until the Second World War. Shares did not regain their pre-crash values until 1954.*

*This is the story of a financial disaster that we hoped could never happen again.*
*1929: The Great Crash*

*Blakeway Productions (2009)*

*Initial Broadcast, BBC 2*

***Director***
*Joanna Bartholomew*

***Producers***
*Joanna Batholomew*
*Denys Blakeway*

***Narrator***
*Bill Paterson*

***Readings***
*John Sessions*