

The 1930s Great Depression

Explain the cause(s) or the story behind the recession.

Before The 1930's, America is in the era of change with the growth of manufacturing and media sector so bring USA into the era of consumerism with increase income. Many people forget to plan their finances. People started looking to buy 3 things: 1. Car 2. Radio 3. Telephone. All started to flourish, like stock market, where everyone turn to invest because they thought they would get rich. During that time, the promise of collapse came quietly and slowly. With a starting point from the agricultural sector because price fell, there was more production than demand due to the increase in production capacity. To sell to the army during the 1st World War led to borrowing from bank to buy expensive machines but don't have money to pay. The problem of the agricultural sector that existed since WWI, contrary to the stock market, Wall Street stock continued to grow everyday, causing people of all classes invest in stock. It peak on September 23, 1929. After a month, the New York stock market collapsed on October 29, 1929 (Black Tuesday). The cause of the collapse, first the stock market bubble: The trader thought the stock price at that time was too much exaggerated, but none of the actual investment had grown just a fake value. While the general public continues to invest and also go to bank to borrow money for investment because they are confident that they will get richer. When the stock market crashed on the 29th, people get panicked, they go to withdraw money across country. Many bank had to shut down suddenly because there was no money left. In 1930, a wave of bank failures began to deflate. Employer could not borrow money to invest and pay a salary, causing the company to shut down, increased unemployment.

∴ The cause: The price of agriculture very low / Wall street stock

What happened to GDP (or growth rate), unemployment, and inflation of affected counties?

In the early years, many people lost their money and lost their job. National income decreased from \$ 91 billion to \$ 41 billion. That means the reduction of more than half. GDP fell estimate 15%. More than 9,500 businesses close down due to 1.5 million unemployed in 1929 to 6 million in latter year (each week there are 100,000 more unemployed people).

After WWI, all country are restoring their own markets and relying on US market. When the US has great economic downturn, US has to reduce the volume of purchases of goods and raw material from Europe, causing effect on price of crops. In Asia, more job placement, declining exports, Agricultural products declining also.