



Great Depression History

The Great Depression was the worst economic downturn in the history of the industrialized world, lasting from the stock market crash of 1929 to 1939.

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The Great Depression was the worst economic downturn in the history of the industrialized world, lasting from 1929 to 1939. It began after the stock market crash of October 1929, which sent Wall Street into a panic and wiped out millions of investors. Over the next several years, consumer spending and investment dropped, causing steep declines in industrial output and employment as failing companies laid off workers. By 1933, when the Great Depression reached its lowest point, some 15 million Americans were unemployed and nearly half the country's banks had failed.

What Caused the Great Depression?

Throughout the 1920s, the U.S. economy expanded rapidly, and the nation's total wealth more than doubled between 1920 and 1929, a period dubbed "[the Roaring Twenties](#)."

The stock market, centered at the [New York](#) Stock Exchange on Wall Street in [New York City](#), was the scene of reckless speculation, where everyone from millionaire tycoons to cooks and janitors poured their savings into stocks. As a result, the stock market underwent rapid expansion, reaching its peak in August 1929.

By then, production had already declined and unemployment had risen, leaving stock prices much higher than their actual value. Additionally, wages at that time were low, consumer debt was proliferating, the agricultural sector of the economy was struggling due to drought and falling food prices and banks had an excess of large loans that could not be liquidated.

The American economy entered a mild recession during the summer of 1929, as consumer spending slowed and unsold goods began to pile up, which in turn slowed factory production. Nonetheless, stock prices continued to rise, and by the fall of that year had reached stratospheric levels that could not be justified by expected future earnings.

Stock Market Crash of 1929

On October 24, 1929, as nervous investors began selling overpriced shares en masse, the [stock market crash](#) that some had feared happened at last. A record 12.9 million shares were traded that day, known as "Black Thursday."

Five days later, on [October 29 or "Black Tuesday,"](#) some 16 million shares were traded after another wave of panic swept Wall Street. Millions of shares ended up worthless, and those investors who had bought stocks "on margin" (with borrowed money) were wiped out completely.

As consumer confidence vanished in the wake of the stock market crash, the downturn in spending and investment led factories and other businesses to slow down production and begin firing their workers. For those who were lucky enough to remain employed, wages fell and buying power decreased.

Many Americans forced to buy on credit fell into debt, and the number of foreclosures and repossessions climbed steadily. The global adherence to the [gold standard](#), which joined countries around the world in a fixed currency exchange, helped spread economic woes from the United States throughout the world, especially Europe.

Bank Runs and the Hoover Administration

Despite assurances from President [Herbert Hoover](#) and other leaders that the crisis would run its course, matters continued to get worse over the next three years. By 1930, 4 million Americans looking for work could not find it; that number had risen to 6 million in 1931.

Meanwhile, the country's industrial production had dropped by half. [Bread lines, soup kitchens](#) and rising numbers of homeless people became more and more common in America's towns and cities. Farmers couldn't afford to harvest their crops, and were forced to leave them rotting in the fields while people elsewhere starved. In 1930, severe droughts in the Southern Plains brought high winds and dust from Texas to Nebraska, killing people, livestock and crops. The "[Dust Bowl](#)" inspired a mass migration of people from farmland to cities in search of work.

In the fall of 1930, the first of four waves of banking panics began, as large numbers of investors lost confidence in the solvency of their banks and demanded deposits in cash, forcing banks to liquidate loans in order to supplement their insufficient cash reserves on hand.

Bank runs swept the United States again in the spring and fall of 1931 and the fall of 1932, and by early 1933 thousands of banks had closed their doors.

In the face of this dire situation, Hoover's administration tried supporting failing banks and other institutions with government loans; the idea was that the banks in turn would loan to businesses, which would be able to hire back their employees.

Roosevelt Elected

Hoover, a Republican who had formerly served as U.S. secretary of commerce, believed that government should not directly intervene in the economy, and that it did not have the responsibility to create jobs or provide economic relief for its citizens.

In 1932, however, with the country mired in the depths of the [Great Depression](#) and some 15 million people (more than 20 percent of the U.S. population at the time) unemployed, Democrat [Franklin D. Roosevelt](#) won an overwhelming victory in the presidential election.

By Inauguration Day (March 4, 1933), every U.S. state had ordered all remaining banks to close at the end of the fourth wave of banking panics, and the U.S. Treasury didn't have enough cash to pay all government workers. Nonetheless, FDR (as he was known) projected a calm energy and optimism, famously declaring "the only thing we have to fear is fear itself."

Roosevelt took immediate action to address the country's economic woes, first announcing a four-day "bank holiday" during which all banks would close so that Congress could pass reform legislation and reopen those banks determined to be sound. He also began addressing the public directly over the radio in a series of talks, and these so-called "[fireside chats](#)" went a long way towards restoring public confidence.

During Roosevelt's first 100 days in office, his administration passed legislation that aimed to stabilize industrial and agricultural production, create jobs and stimulate recovery.

In addition, Roosevelt sought to reform the financial system, creating the Federal Deposit Insurance Corporation ([FDIC](#)) to protect depositors' accounts and the [Securities and Exchange Commission \(SEC\)](#) to regulate the stock market and prevent abuses of the kind that led to the 1929 crash.

The New Deal: A Road to Recovery

Among the programs and institutions of the [New Deal](#) that aided in recovery from the Great Depression were the [Tennessee Valley Authority \(TVA\)](#), which built dams and hydroelectric projects to control flooding and provide electric power to the impoverished [Tennessee](#) Valley region, and the [Works Progress Administration \(WPA\)](#), a permanent jobs program that employed 8.5 million people from 1935 to 1943.

When the Great Depression began, the United States was the only industrialized country in the world without some form of unemployment insurance or social security. In 1935, Congress passed the [Social Security Act](#), which for the first time provided Americans with unemployment, disability and pensions for old age.

After showing early signs of recovery beginning in the spring of 1933, the economy continued to improve throughout the next three years, during which real GDP (adjusted for inflation) grew at an average rate of 9 percent per year.

A sharp recession hit in 1937, caused in part by the Federal Reserve's decision to increase its requirements for money in reserve. Though the economy began improving again in 1938, this second severe contraction reversed many of the gains in production and employment and prolonged the effects of the Great Depression through the end of the decade.

Depression-era hardships had fueled the rise of extremist political movements in various European countries, most notably that of [Adolf Hitler's](#) Nazi regime in Germany. German aggression led war to break out in Europe in 1939, and the WPA turned its attention to strengthening the military infrastructure of the United States, even as the country maintained its neutrality.

African Americans in the Great Depression

One-fifth of all Americans receiving federal relief during the Great Depression were black, most in the rural South. But farm and domestic work, two major sectors in which blacks were employed, were not included in the 1935 Social Security Act, meaning there was no safety net in times of uncertainty. Rather than fire domestic help, private employers could simply pay them less without legal repercussions. And those relief programs for which blacks were eligible on paper were rife with discrimination in practice, since all relief programs were administered locally.

Despite these obstacles, Roosevelt's "Black Cabinet," led by [Mary McLeod Bethune](#), ensured nearly every New Deal agency had a black advisor. The number of African-Americans working in government [tripled](#).

Women in the Great Depression

There was one group of Americans who actually gained jobs during the Great Depression: Women. From 1930 to 1940, the number of employed women in the United States [rose 24 percent](#) from 10.5 million to 13 million. Though they'd been steadily entering the workforce for decades, the financial pressures of the Great Depression drove women to seek employment in ever greater numbers as male breadwinners lost their jobs. The 22 percent decline in marriage rates between 1929 and 1939 also created an increase in single women in search of employment.

[Women during the Great Depression](#) had a strong advocate in First Lady [Eleanor Roosevelt](#), who lobbied her husband for more women in office—like Secretary of Labor [Frances Perkins](#), the first woman to ever hold a cabinet position.

Jobs available to women paid less, but were more stable during the banking crisis: nursing, teaching and domestic work. They were supplanted by an increase in secretarial roles in FDR's rapidly-expanding government. But there was a catch: over 25 percent of the National Recovery Administration's wage codes set lower wages for women, and jobs created under the WPA confined women to fields like sewing and nursing that paid less than roles reserved for men.

Married women faced an additional hurdle: By 1940, 26 states had placed restrictions known as [marriage bars](#) on their employment, as working wives were perceived as taking away jobs from able-bodied men – even if, in practice, they were occupying jobs men would not want and doing them for far less pay.

Great Depression Ends and World War II Begins

With Roosevelt's decision to support Britain and France in the struggle against Germany and the other Axis Powers, defense manufacturing geared up, producing more and more private sector jobs.

The Japanese attack on [Pearl Harbor](#) in December 1941 led to America's entry into [World War II](#), and the nation's factories went back in full production mode.

This expanding industrial production, as well as widespread [conscription](#) beginning in 1942, reduced the unemployment rate to below its pre-Depression level. The Great Depression had ended at last, and the United States turned its attention to the global conflict of World War II.

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