With reference to at least one country of the Americas, to what extent was the Wall Street Crash of 1929 a cause of the Great Depression?

13 The Great Depression was an event that affected the economic and social conditions of millions of people worldwide. While it is largely accepted that the Wall Street Crash of 1929 was the cause, it is ignorant to claim that it was the sole reason. In the United States especially, the Crash was only the immediate cause. In fact, the Depression was a result of a culmination of many aspects of the decade before, problems which were hidden by the boom of the 'Roaring' 1920s.

There were a number of long term economic and social causes that resulted in demand deficiency. The first issue was of ~~large~~ gaps that occurred in income equality. In fact, the richest 5% of Americans accounted for 30% of national income. ~~[illegible]~~ In the middle- and low-class families, ~~this~~ meant fairly low disposable income. This situation arose because of the industrial boom of the 1920s. Larger firms emerged through economic success, which led to more factory work and thus a larger working class. It is likely that this prosperity was aided by corporate corruption, even with the Progressivist aims implemented to prevent it from occurring. This ~~ec~~ economic growth led to the second long-term issue of high production. This was a result of more efficient machinery able to produce at lower costs, improving factors of production leading to higher supply-side output. However, ~~these~~ these large amounts of products flooded a market that didn't have the disposable income to buy it. What resulted was a slowly-increasing level of demand-deficient unemployment, as since firms couldn't sell their products, they could make high enough revenue, which

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meant that they had to lay off workers. This led to even less disposable income, which further perpetuated the issue. In general, demand began to decrease.

In the shorter run, issues began to escalate. In the years prior, interest rates were very low in the American economy. Not only did this incentivize risky loans (which was a bad habit that had ~~was~~ worse effects later on), but it also created an artificial market for speculators. Loans were more easily accesssible, which meant an overuse of credit, creating an economic bubble by keeping demand higher than it should have been. The issue was perpetuated when speculators didn't recognize the artificiality and thus assumed the market was healthy. When the US Federal Reserve recognized this problem as the market began ~~the~~ to

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collapse, they panicked and implemented a sudden spike in the interest rates to try and ameliorate the economy. Unfortunately, this worsened the situation tremendously as ~~those who~~ people started to legitimately need credit but couldn't access it. Meanwhile, the short-term issues continued with high speculation. Speculation is the practice of making risky investments, most often with stocks and bonds. Just before the Crash, 10% of American households owned stocks. This was made possible by loans made by stockbrokers called margins, as well as high market confidence (which turned out being artificial). The repercussions of this were seen during the crash itself, as discussed later.

A good solution to the issue seen by Keynsionists would have been an increase in exports, as this would

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have employed more American workers and thus increased aggregate demand ~~and~~ and Gross Domestic Product. Orthodox historians counter this by claiming that this wasn't possible due to politics. In fact, ~~the~~ President Herbert Hoover recognized this and wanted to lower tariffs, but the ~~the~~ Republicans wanted to implement protectionist measures. What resulted was the Smoot Tariff, the highest ever in US history. Clearly, other countries responded by retaliating with harsh protectionist trade barriers of their own, leading to worsened international trade and dramatically decreasing exports.

The Crash of October 29, 1929 likely would not have happened if these other factors hadn't ~~occurr~~ ~~occurred~~ occurred. In addition to the worsened demand and low disposable income, the Crash itself was actually caused

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by a dramatic increase in supply of stocks and money, which caused prices to plummet. This was a result of panicking investors and speculators who sold their stocks too quickly after realizing the bubble popped. Stockholders who had gotten margins from their brokers sold back using margin payments, and as liquidity deteriorated people made 'bank runs', taking out all their savings in cash. This plummet in price is what started the ~~...~~ Depression, as it was coupled with the growing unemployment.

Thus, the Great Depression was certainly sparked by the Wall Street Crash. However, the ~~...~~ Crash was not the sole cause so its extent as a cause is limited. In fact, it may never have occurred if the long term and short term causes had been fixed sooner.

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