

The Great Contraction 1929-1933: The Economic Collapse of the Great Depression and Its Aftermath

The Great Contraction 1929-1933 is a comprehensive and engaging account of the events leading up to and following the worst economic crisis in American history. Author Milton Friedman and Anna Schwartz provide a detailed analysis of the causes and consequences of the Great Depression, and their work has been highly influential in shaping our understanding of this period.



The Great Contraction, 1929-1933: New Edition (Princeton Classic Editions) by Milton Friedman

★★★★☆ 4.7 out of 5

Language	: English
File size	: 2298 KB
Text-to-Speech	: Enabled
Screen Reader	: Supported
Enhanced typesetting	: Enabled
Word Wise	: Enabled
Print length	: 290 pages



The Causes of the Great Depression

Friedman and Schwartz argue that the Great Depression was caused by a combination of factors, including:

- **The stock market crash of 1929:** The stock market crash on October 29, 1929, was a major shock to the American economy. The crash led

to a loss of confidence in the financial system and a sharp decline in investment spending.

- **The Federal Reserve's monetary policy:** The Federal Reserve raised interest rates in an attempt to curb speculation in the stock market. However, this policy also made it more difficult for businesses to borrow money, which led to a further decline in investment spending.
- **The Smoot-Hawley Tariff:** The Smoot-Hawley Tariff, signed into law in 1930, raised tariffs on imported goods. This made it more expensive for Americans to buy foreign goods, which led to a decline in exports and a further decline in economic activity.

The Consequences of the Great Depression

The Great Depression had a devastating impact on the American economy. By 1933, unemployment had reached 25%, and millions of Americans had lost their homes and savings. The Depression also led to a sharp decline in output and investment.

The Great Depression also had a profound impact on American society. The high unemployment rate led to widespread poverty and hunger. The Depression also led to a loss of faith in the government and the economy.

The Government's Response to the Great Depression

The government's response to the Great Depression was initially very limited. President Hoover believed that the economy would eventually recover on its own if the government did not intervene. However, as the Depression worsened, Hoover began to take some steps to address the crisis.

In 1932, Hoover signed the Reconstruction Finance Corporation Act, which created a government-owned corporation that loaned money to banks and businesses. Hoover also authorized the construction of the Hoover Dam and other public works projects in an attempt to create jobs.

However, these measures were not enough to end the Depression. In 1933, Franklin D. Roosevelt was elected president. Roosevelt implemented a series of policies known as the New Deal, which aimed to stimulate the economy and provide relief to the unemployed.

The End of the Great Depression

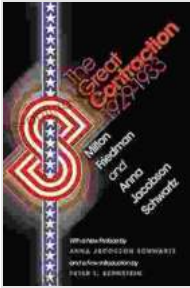
The Great Depression ended with the outbreak of World War II in 1941. The war created a huge demand for goods and services, which led to a sharp increase in economic activity and a decline in unemployment.

The Great Depression was a devastating economic crisis, but it also led to important changes in the American economy and society. The government's response to the Depression laid the foundation for the modern welfare state, and the New Deal helped to create a more just and equitable society.

The Great Contraction 1929-1933 is a classic work of economic history. Friedman and Schwartz's analysis of the causes and consequences of the Great Depression has had a profound impact on our understanding of this period. The book is a must-read for anyone interested in the history of the Great Depression and its aftermath.

Bibliography

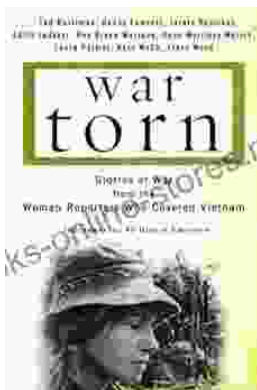
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