

# THE GREAT DEPRESSION

"During the Great Depression of 1929 in Central Park, pigeons carried bread crumbs to passers-by." Groucho Marx



# WHAT IS IT?

The Great Depression was a severe worldwide economic depression between 1929 and 1939 that began after a major fall in stock prices in the United States. The economic contagion began around September 4, 1929, and became known worldwide on Black Tuesday, the stock market crash of October 29, 1929. The economic shock transmitted across the world, impacting countries to varying degrees, with most countries experiencing the Great Depression from 1929.



# *A VERY DIFFICULT PERIOD*

**The Great Depression was the longest, deepest, and most widespread depression of the 20th century and is regularly used as an example of an intense global economic depression.**



# CAUSES

The decline of the prices was caused by falling sales of consumer goods (as a result of overproduction because of new production techniques, falling exports and income inequality, among other factors) that had already been underway as part of a gradual Depression.



# CAUSES

Economic historians usually consider the catalyst of the Great Depression to be the sudden devastating collapse of U.S. stock market prices, starting on October 24, 1929. However, some dispute this conclusion, seeing the stock crash less as a cause of the Depression and more as a symptom of the rising nervousness of investors partly due to gradual price declines.



# CONSEQUENCES

Cities around the world were hit hard, especially those dependent on heavy industry. Construction was virtually halted in many countries. Farming communities and rural areas suffered as crop prices fell by about 60%. Faced with plummeting demand and few job alternatives, areas dependent on primary sector industries suffered the most.



# *THE GREAT DEPRESSION IN EUROPE*

All European countries were affected to varying degrees by the American economic collapse and by the protectionist measures of the United States which resulted in the adoption of similar solutions by the European states in defense of their national industries. The crisis went from local to global because, after the First World War, the US economy had assumed a central role in the international one.



# **THE COLLAPSE OF THE NY STOCK EXCHANGE**

The collapse of the New York Stock Exchange had repercussions on the American banking system which had fueled financial speculation with low interest rates on the sums borrowed. A second factor was the spread of protectionist measures adopted by the US following the US agricultural price crisis that were soon emulated by all other countries, giving way to a new phase of closing markets and borders.





# ***THE MOST AFFECTED COUNTRIES***

In Europe the most affected nations were, as mentioned, Germany and Austria where the strong winds of the economic crisis were joined by those of the political and social crisis. The spread of unemployment, the blocking of industrial production, the crisis that the agrarian economy and the banking and monetary economy met, led to a phenomenon of proletarianization of the middle class and the spread of misery, opening the way to the crisis of institutions and favoring the grip on the population of the National Socialist doctrines of Adolf Hitler.



# *KREDIT-ANSTALT*

This paved the way for the events that led to the Second World War. In Austria, the crisis led to the closure of Kredit-Anstalt in 1931 to which many central European banks were linked. England experienced a sharp decline in industrial production, a growing deficit and rampant unemployment but managed to avert the crisis by suspending the gold parity of the pound in 1931 and devaluing the British currency by about 30%. In France, the crisis, which came later in 1935, was faced with a deflationary policy of compression of public spending and consumption.



# *ITALY AND THE GREAT DEPRESSION*

The path of deflation was also followed in Italy by the fascist regime. Between 1930 and 1931 the real national income in our country touched the lowest level and from 1932 to 1934 the highest levels of unemployment were recorded, which returned to decline only in 1935 with the war in Ethiopia. The crisis of '29 did not even spare Russia which, although detached from the dollar economy, suffered a backlash due to the cessation of American loans and the fall in the prices of agricultural products that influenced the first five-year plan that relied heavily on exports. of these to finance the purchase of industrial machinery from abroad.



# ITALY AND FASCISM

It was thought that the strong man in charge could ensure order, prosperity and calm. The sensitivity of totalitarian regimes to the problems posed by the economic crisis (already present in after the war and worsened in 1929) and their solution, with the relative consent from them received in this direction, has many results. Just see some of the phrases of Mussolini. Like the following, taken from a speech of 1932: "The mere thought of a family without the necessary to live, gives me acute physical suffering. I know, from having experienced it, what the deserted house means and the naked table. "



# **ENTREPRENEUR STATE**

There was substantial state intervention, at that time under the rule fascist, who set in motion a series of tools to get out of the crisis, especially in favor of companies in difficulty through a kind of public credit institution, the Institute Italian movable (IMI) founded in 1931. In 1933 the state deployed an instrument even more robust, the Institute for Industrial Reconstruction (Iri), through which it actually came to the nationalization of important banks and companies. At the same time, it was founded the INPS. Mussolini realized that it was necessary to face the economic crisis also strengthen the structures of social protection, an idea that was decisive for the rebirth. After all, the same happened in Roosevelt's America, which he added to the measures the Social Security Act of 1935 also supported the New Deal economy. In any case, the long season of the “entrepreneur state” began in Italy, with many companies and banks entrusted to brilliant public managers who oversaw their development.



# **ITALIAN FURNITURE INSTITUTE (IFI)**

IFI was established in Rome as a body of public law in 1931, at the heart of the great crisis that was going through the world economy. Its constitution was the first decisive step of state intervention put in place to cope with the crisis that had affected the major complexes of the basic industry and with them the major mixed industries. IFI had the task of granting loans, of a duration not exceeding 10 years, to companies of Italian nationality, against collateral, securities pledges and any additional guarantees; to assume shareholdings in the same companies.



# INPS

Acronym of the National Institute for Social Security, a body governed by public law derived from the National Pension Fund for the Old Age of Workers, established in July 1898, which in 1919 assumed the name of National Social Insurance Fund and in 1933 the current name. Its main activity consists in the management of social security contributions, paid by almost all employees in the private sector and by a large part of the self-employed, and in the provision of pensions of a social security and welfare nature.



# **INSTITUTE FOR INDUSTRIAL RECONSTRUCTION (IRI)**

The IRI was an Italian public body with industrial policy functions. Established in 1933, during fascism, in the post-war period it progressively widened its sectors of intervention and became the centerpiece of public intervention in the Italian economy. In 1980 IRI was a group of about 1,000 companies with more than 500,000 employees. It was at the time one of the largest non-oil companies outside the United States of America. Still in 1993 the IRIS was the seventh largest conglomerate in the world, with a turnover of about \$67 billion. Transformed into a joint stock company in 1992, it ceased to exist ten years later.





# UNEMPLOYMENT

Between 1929 and 1932, worldwide gross domestic product (GDP) fell by an estimated 15%. Some economies started to recover by the mid-1930s. However, in many countries, the negative effects of the Great Depression lasted until the beginning of World War II. Devastating effects were seen in both rich and poor countries with falling personal income, prices, tax revenues, profits and prices. International trade fell by more than 50%, unemployment in the U.S. rose to 23% and in some countries rose as high as 33%.



# ***FRANK ROOSEVELT...***

In his 1932 run for the presidency, F. D. Roosevelt asserted that he would help “the forgotten man at the bottom of the economic pyramid,” and pledged himself to “a new deal for the American people.” As president he championed the series of federal legislative initiatives known as the New Deal The New Deal was not a blueprint for action, but was instead animated by a spirit, as Roosevelt said, of “bold, persistent experimentation,” in which he would “take a method and try it: if it fails, admit it frankly and try another.”



## *...AND THE NEW DEAL*

On March 12, 1933, Roosevelt delivered the first of his live-radio “**fireside chats**.” During his presidency he delivered thirty “fireside chats,” explaining to the public in reassuring tones and plain-spoken language his New Deal policies and the Second World War through the medium of radio. Although the New Deal did not ultimately succeed in lifting the United States out of the Great Depression, the United States' mobilization for World War II revived the economy during the late 1930s and 1940s.

