

The stock exchange and the Great economic depression

Grigore Ioan Piroșcă

ABSTRACT

Every time there is something to say about America's great depression, or, generally speaking, about economic recessions, people use to say that the only guilty institution was the stock exchange. How could the capital market be blamed for a political decision, out of the investors will? All that we can admit is the fact that the New York Stock Exchange was used in order to attempt a political goal. Perhaps the capital market has hidden the reality about the American economic status, but we can not blame it for such a reason...after all, even a healthy and natural drink like milk can cause medical disease if a diet is on.

The stock exchange can aggravate a crisis, but only if the state is concerned about the equilibrium of the market and decides to interfere into the free game of supply and demand. As long as the government allow the stock exchange to follow the rules of the market free will, then nothing can be said about the influence of the capital market over the liberty, over the freedom to choose, or over the wealth of a nation. Centuries ago, asking something for lending money was almost a crime. That's why, probably, the Middle Age was almost a black hole in history of mankind civilization. Even today, interest rate is seen just like a simple type of income, accepted for some ordinary average monetary operations. But the most important matter about the rate of interest rate is the fact that it represents the basis for expected profits, which are, of course, the water and the air for economic life. So, if the state enclose the independence of the interest rate, there is a strong reason to presume that the stock exchange is something like a Trojan horse in the welfare court.