

# Aim: What caused the Great Depression?

## **Do Now:**

- What is the economy?
- How do we know if the economy is doing well or doing poorly? What data do we look at?

# Economy:

How a society provides the goods and services that people want and need.

## Depression

- A prolonged period of high unemployment, large numbers of bank and business failures, stagnant wages and low profits. (the society is having a lot of trouble providing wants and needs).

# FROM BOOM TO BUST

- 1920s Economy
  - Economic Boom (except for agriculture) driven by
    - New Products
    - Easy Credit
    - Government Policies (Harding – “return to normalcy”)
      - Lower taxes, less regulation



## **OVER-PRODUCTION**

- Businesses produced too much

## **UNDER-CONSUMPTION**

- People didn't have the money to buy.

Consumption- the ability of people to buy goods.

Created a "bubble economy"

Causes of the Depression

Over-speculation in the stock Market - Margin buying

Unsound banking system

Over-production in Industry and Agriculture

Under-consumption by consumers

Protectionist Trade Policies

Easy Credit

Unequal Distribution of Wealth

# Business Cycle Boom and Bust

