**Aim:** Was there a principal cause of 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?

- **Thursday 3/15** - Review
- **Monday 3/16** - Exam The 1920s and The Great Depression
Economy:

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

- **Gross domestic product (GDP)** - the market value of all goods and services produced by the economy in a given year.
- **Unemployment Rate**
- **Price stability**.

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, tariffs
OVER-PRODUCTION
• Businesses produced too much

UNDER-CONSUMPTION
• People didn’t have the money to buy.

Consumption - the ability of people to buy goods.
Causes of the Depression

- Over-production in Industry and Agriculture
- Over-speculation in the stock Market - Margin buying
- Unsound banking system
- Under-consumption by consumers
- Protectionist Trade Policies
- Easy Credit
- Created a “bubble economy”
- Unequal Distribution of Wealth
Business Cycle
Boom and Bust

Diagram showing the business cycle with phases of Boom, Recession, Slump, and Recovery.