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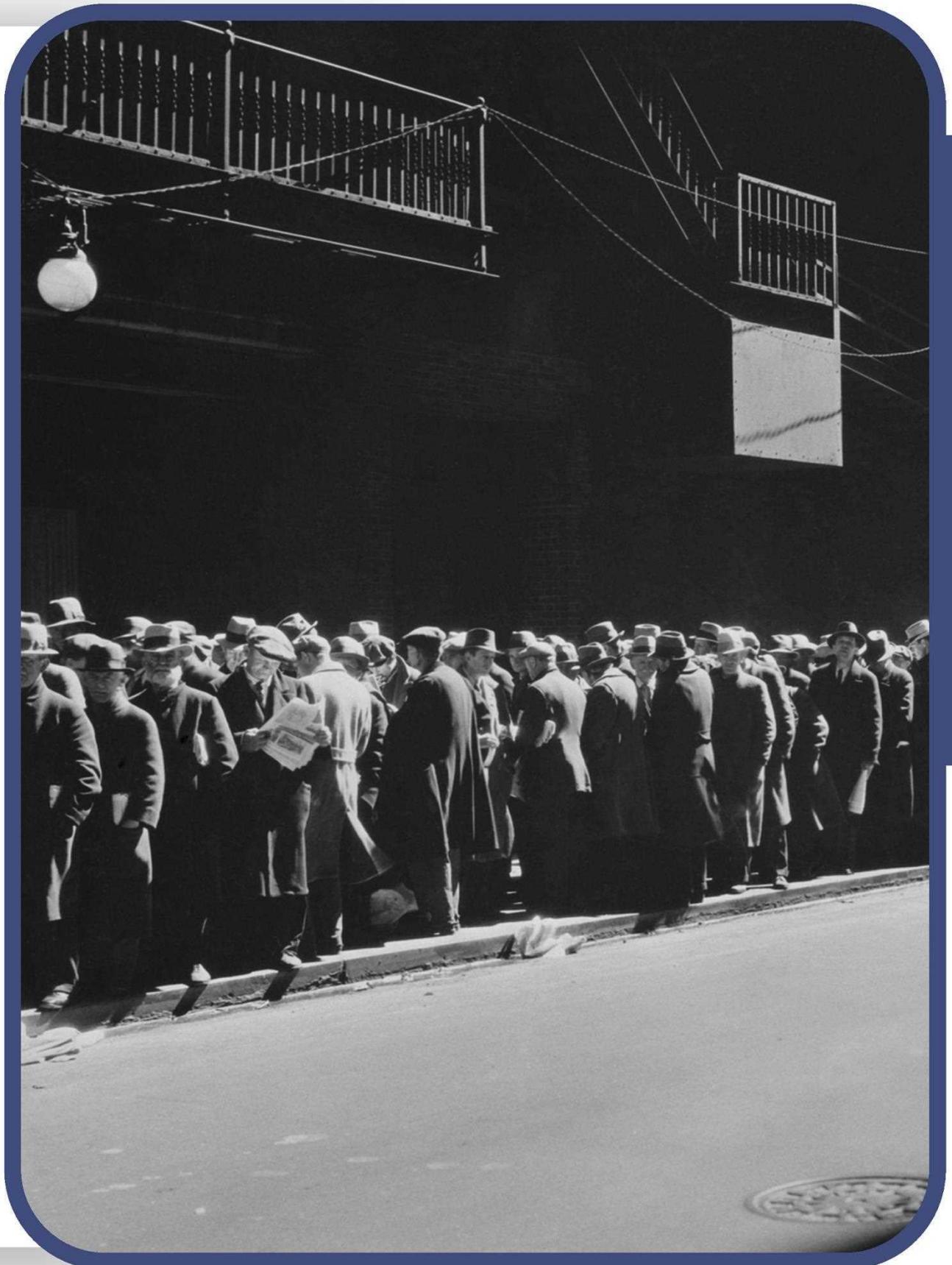
The Great Depression

Group 8



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- *Introduction*
- Main Cause & How It Happened?
- *Parties Involved*
- Consequences
- *Preventions*
- Moral of the Depression
- *Conclusion*





The Great Depression





The Great





The Depression





The Depression



What is a Depression?



DEPRESSION

[di-'pre-shən]

A dramatic downturn in economic activity, in conjunction with a sharp fall in growth, employment, and production

How to be considered as an Economic Depression?

- A recession that lasts longer than 3 years
- The drop of an annual GDP of at least 10%
- Decrease of consumer confidence and investment that causes the economy to shut down
- Recession is much more common
- The U.S. experienced through 32 recessions from 1850 to 2008.

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The Great Depression





What is it?



The Great Depression

[θə 'grāt di-'pre-shən]

The greatest and longest economic recession in modern world history that ran between 1929 and 1941.



- The worst downturn of the industrialized world.
- On October 24th, 1929, known as Black Tuesday, the stock market bubble burst.
- The end of it was the same year that the U.S. entered World War II (in 1941)
- A variety of economic contractions including the 1929 stock market crash and banking panics in 1930 and 1931.

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When & How

When?

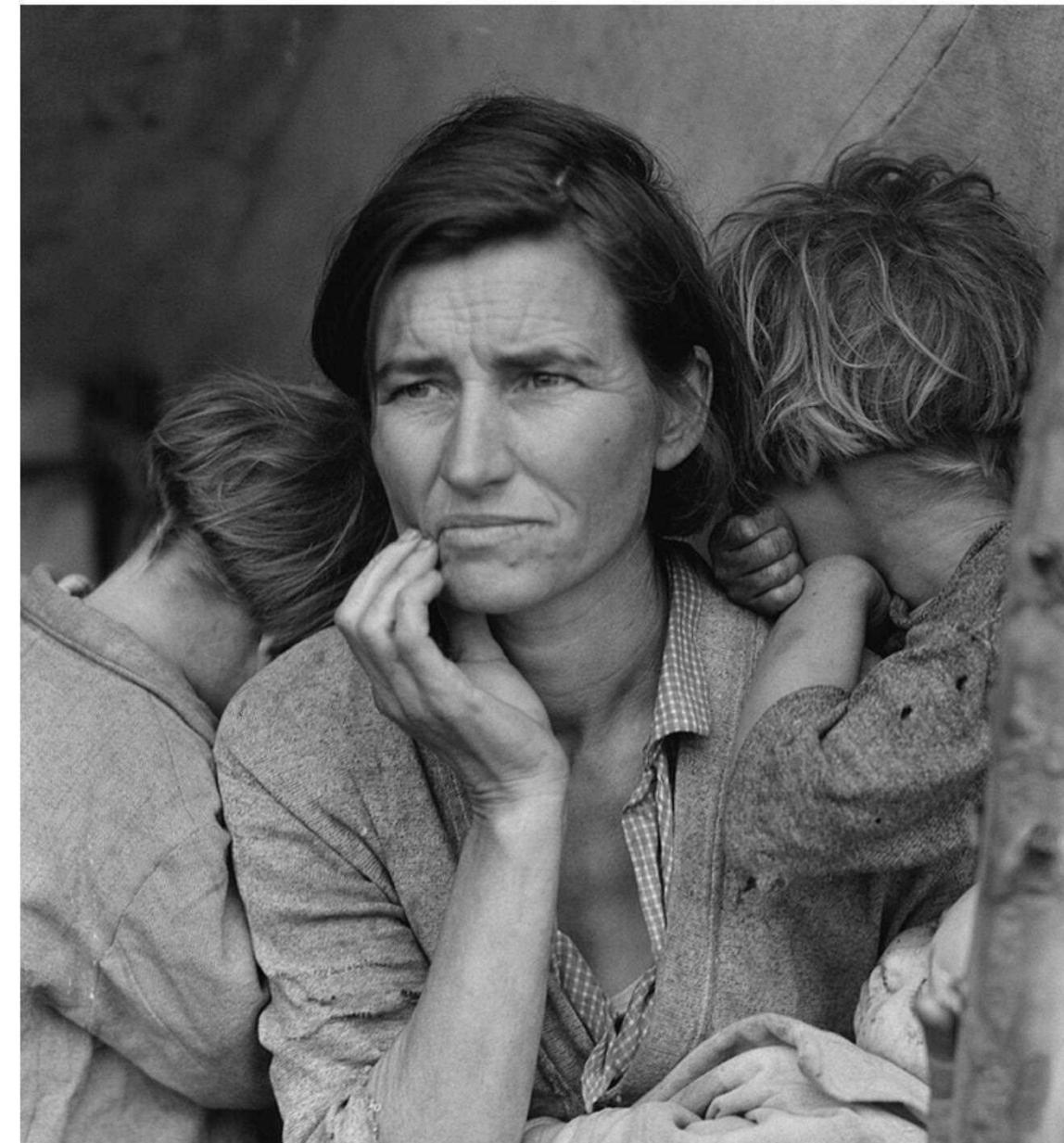
The Great Depression (1929-1939)

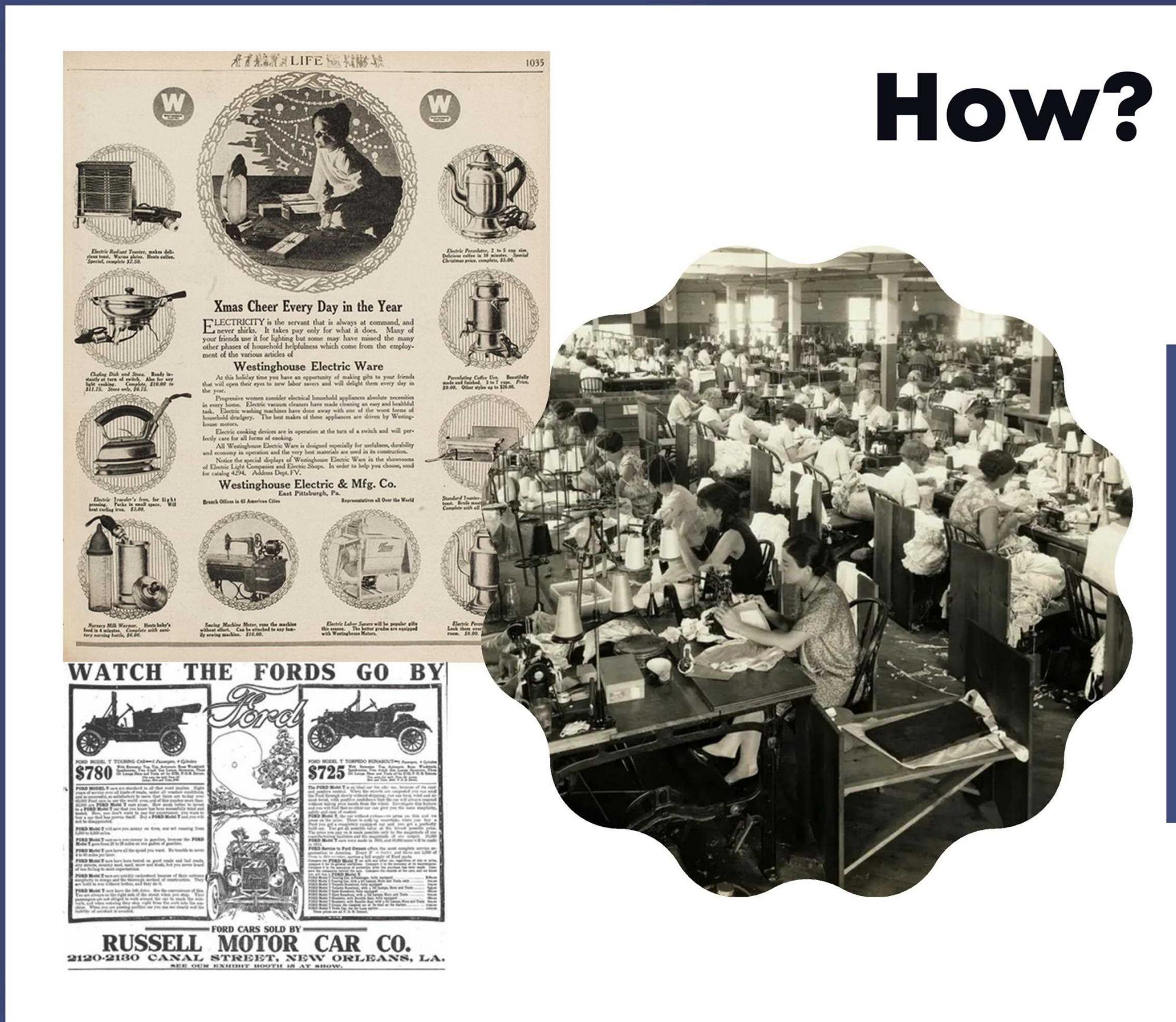
Notable events:

- October 24th, 1929 (Black Thursday)
- October 29th, 1929 (Black Tuesday)

How?

Due to the overestimation of company growth & economic wealth --> economic shock --> stock market crash



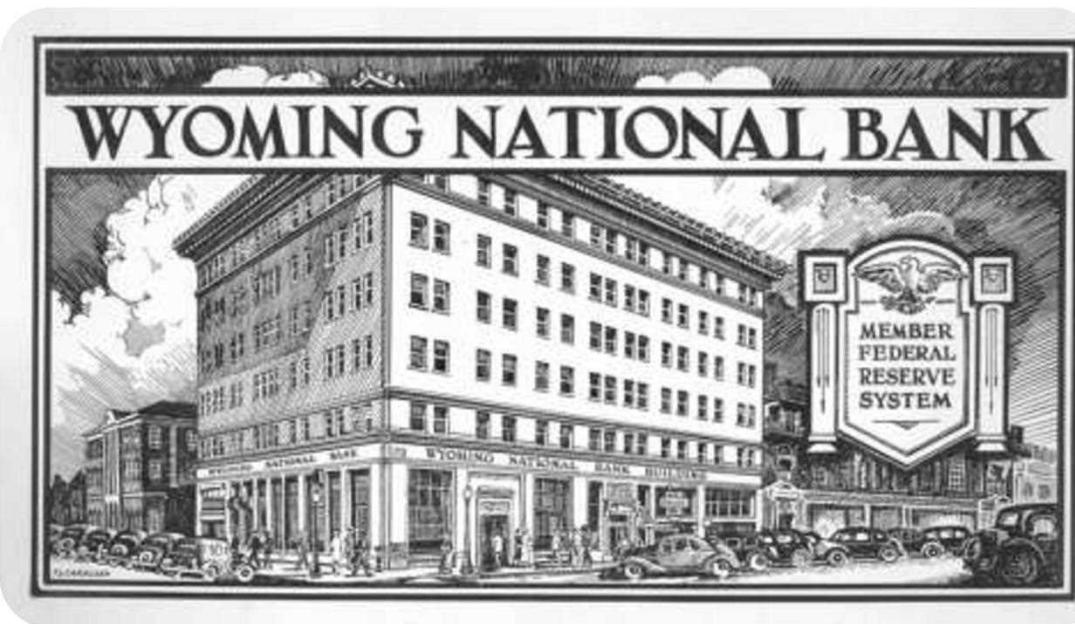


How?

World War 1

Resulted in American Economic Prosperity (The Roaring 20s)

How: The Roaring 20s



Spent their savings

Loaned them money



Buy

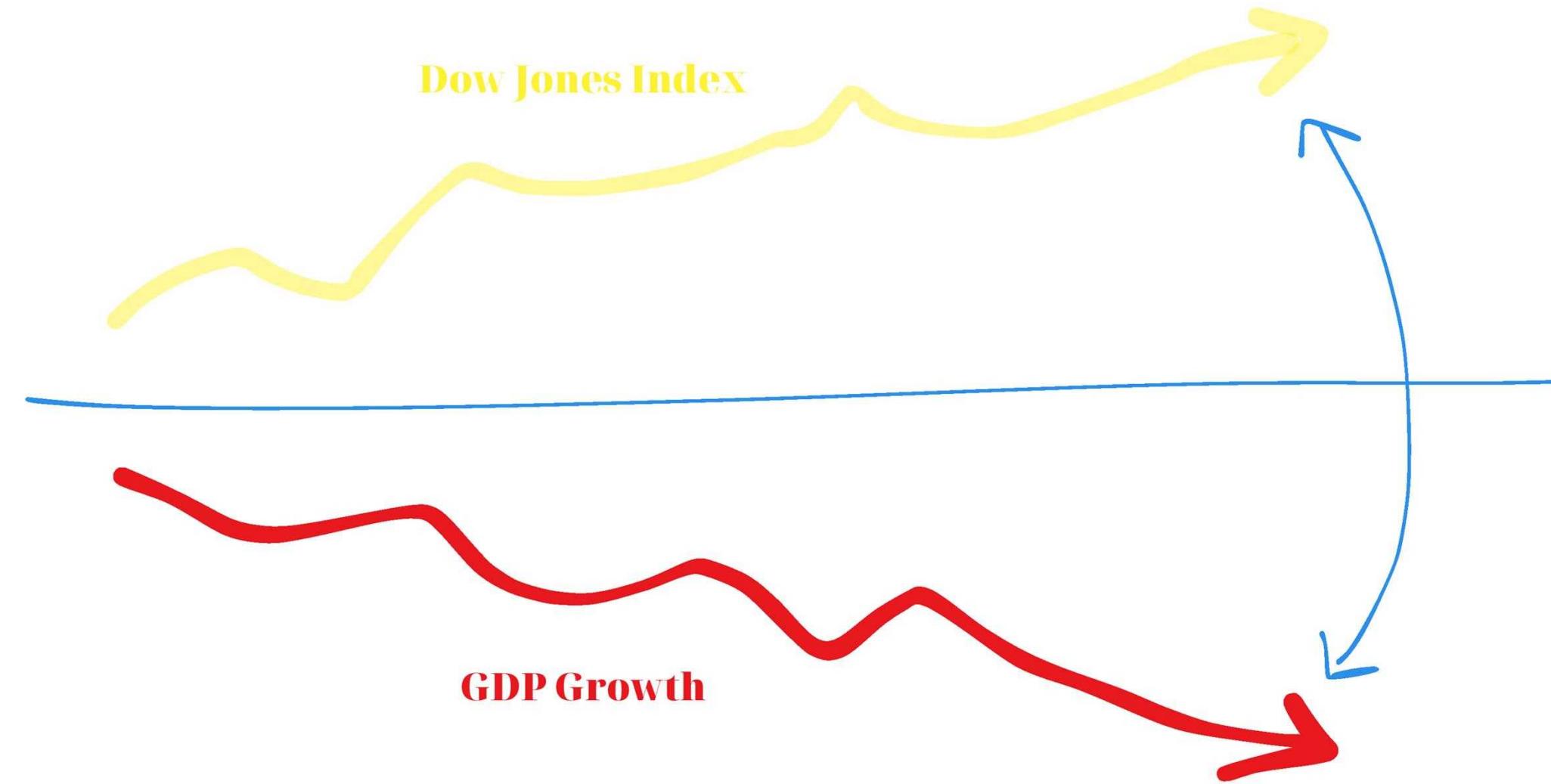


Buy

How: Economic Disparity



How: Economic Disparity



How: The Great Depression



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graph TD; A[Crash] --> B[Invested Companies]; B --> C[Banks]; C --> D[Consumers]
```

The diagram illustrates a downward flow of economic impact. It begins with the word "Crash" at the top, followed by a large red arrow pointing downwards. This arrow points to the phrase "Invested Companies", which is written in a large, bold, black serif font. Another large red arrow points downwards from "Invested Companies" to the word "Banks", also in a large, bold, black serif font. A final large red arrow points downwards from "Banks" to the word "Consumers", also in a large, bold, black serif font.



Which Parties Involved in The Great Depression



People

- Unemployment skyrocketed
- The Dust Bowl drought
- Confidence in unfettered capitalism was shaken
- A general shift left in American politics
- The rise of extremist ideologies around the world

Which Parties Involved in The Great Depression

Government

- The election of Franklin D. Roosevelt
- A general shift left in American politics
- The abandonment of the gold standard
- The preparation for World War II



Which Parties Involved in The Great Depression

The Great Depression affected almost every country of the world, but the severity and duration of the downturn varied substantially across regions.



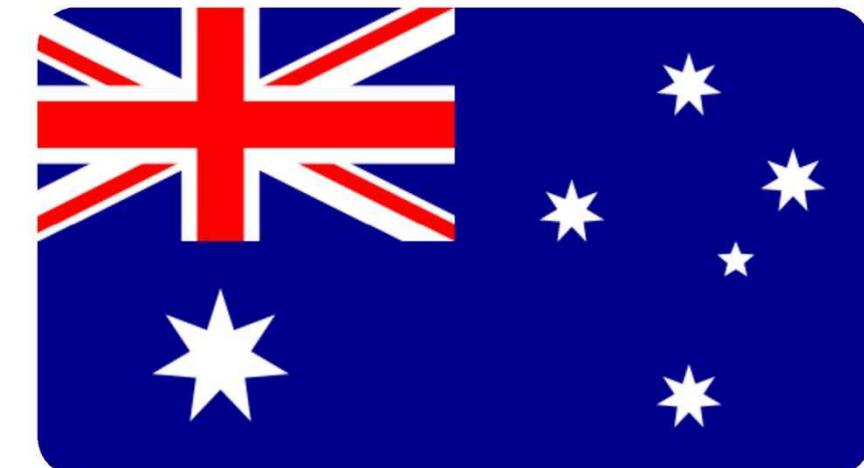
which was closely tied to the United States economy, suffered a 42% decline in GDP, a 27% unemployment rate, a 40% drop in exports.



which was already burdened by the reparations of World War I and the hyperinflation of the early 1920s, experienced a 16% decline in GDP, a 30% unemployment rate, and a 40% drop in exports.

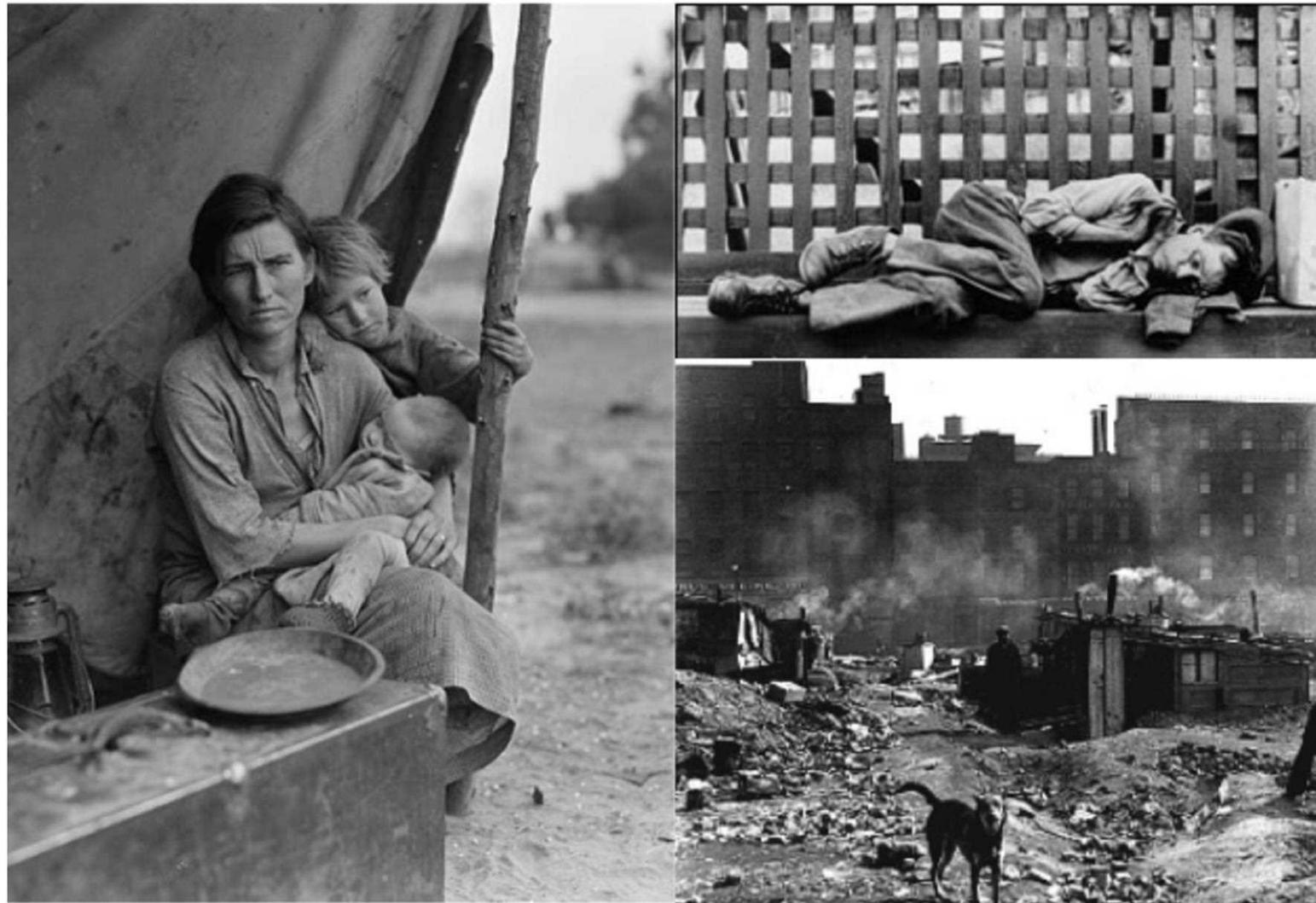


which was dependent on exports of wool and wheat to Britain and other countries, experienced a 10% decline in GDP, a 32% unemployment rate, a 50% drop in exports.



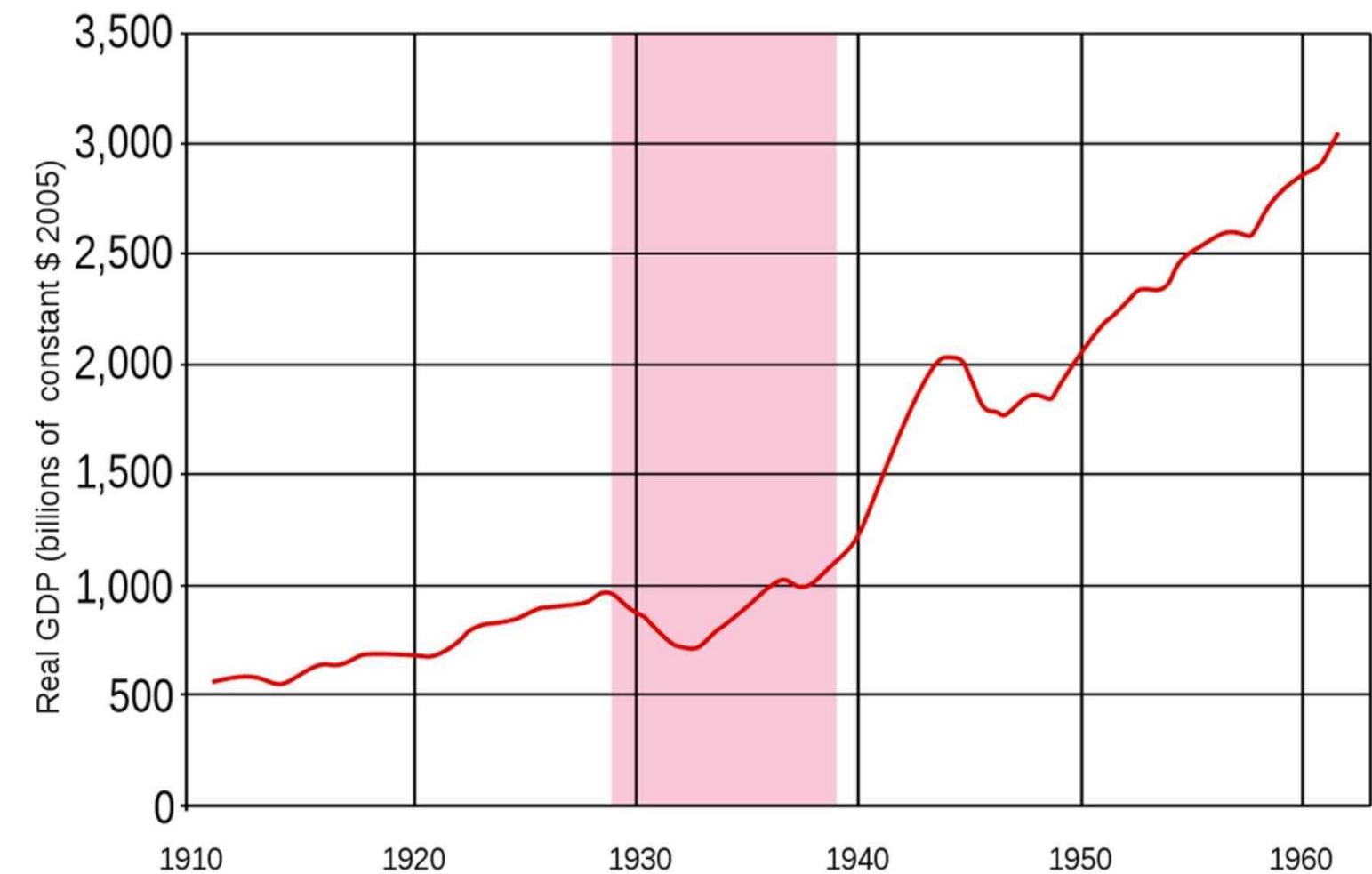
Consequences

Standards of living



One in four Americans was unemployed!
Hunger, Homelessness,...

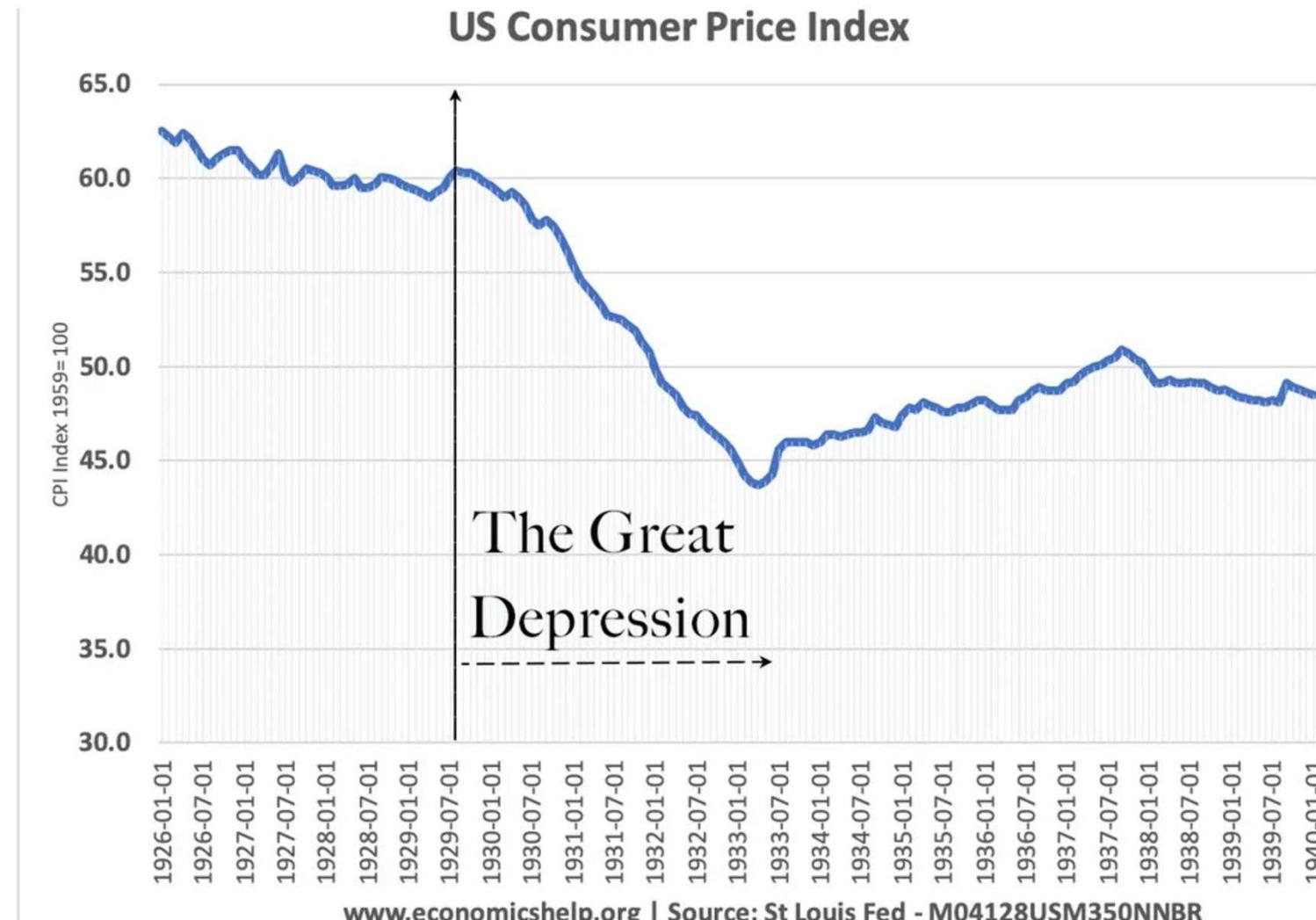
Economic growth



GDP decreased by around 30% and
product decreased a half.

Consequences

Deflation



The US Consumer Price Index fell approx. 20% by the shortages of the money supply.

Banking failure



People rushed to withdraw money from banks.
7,000 banks ~ 1/3 banking system failed.

How people prevent it from today's situation

The response to the dot-com bubble.

appear when invested excessively in **internet companies** in the late 1990s.

->To prevent this, the Federal Reserve **lowered** interest rates to **stimulate** borrowing and spending.

The response to the 9/11 attacks.

a series of **terrorist attacks** on the U.S. in 2001

->To prevent this, the federal government provided **financial assistance** to businesses, and individuals affected by the attacks, while the Federal Reserve **cut interest rates** further to boost liquidity and demand.

The response to the 2008 financial crisis.

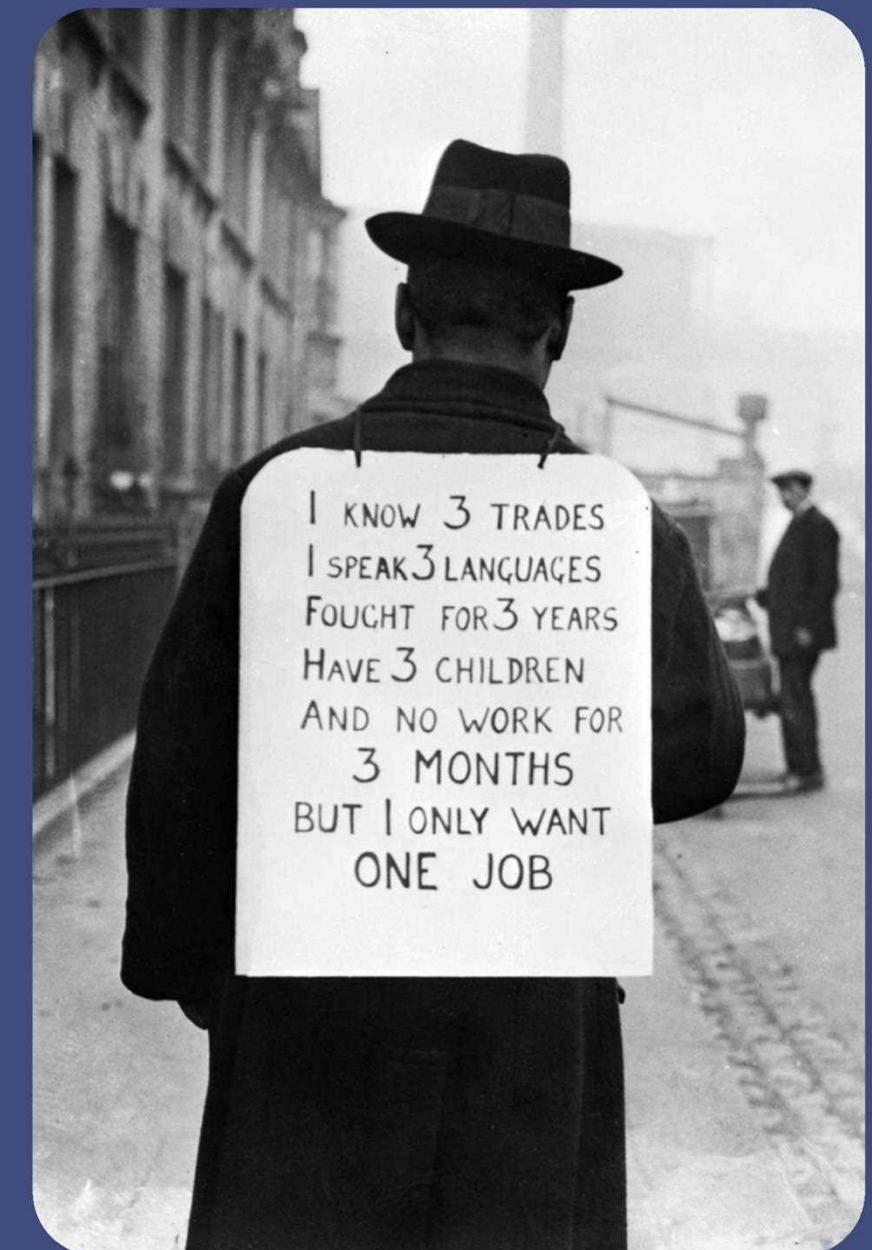
a **global meltdown** of financial markets and institutions

->To prevent this, governments and central banks implemented **unprecedented fiscal and monetary stimulus** measures (bailouts, guarantees, quantitative easing, tax cuts, spending increases, and international coordination.)



How to prevent

- Diversify your **portfolio** and avoid **excessive speculation** or leverage on risky assets
- Manage **cash flow**, maintain **adequate liquidity** and **capital reserves**
- Cooperate with **other** financial institutions and regulators
- Support **fiscal and monetary** policies that promote economic growth and prevent deflation or inflation
- Diversify markets and customers across different countries and regions



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What have we learned about The Great Depression?

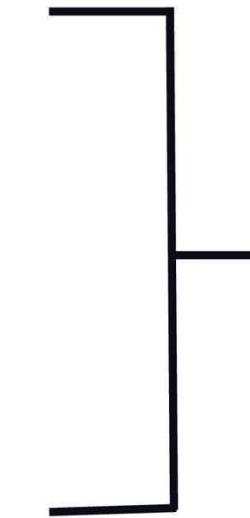




What did we learn ?

Importance of having a budget

- +) It's crucial to accurately track your spending when you lose your job or have a decrease in income.



Consumer debt

- +) Many people were burdened by their debt payments when the Depression struck.

EXPENSES				
ITEM	DATE	COST	BUDGET USED	
Regular income	2010-01-01	\$100		
Entertainment	2010-01-01	\$20		
Groceries	2010-01-01	\$50		
Gasoline	2010-01-01	\$30		
Utilities	2010-01-01	\$40		
Fiction - non-fiction	2010-01-01	\$10		
Reading book - type	2010-01-01	\$5		
Movie - ticket	2010-01-01	\$10		





What did we learn ?

The importance of investing

+) Assuming you have time and patience, it is likely that money invested in the market will appreciate. So, don't stop contributing to your 401(k) or your IRA – even if the market is down.

Resilience

+) Keep in mind that we have faced similar challenges in the past and have always triumphed if you are one of the people who has experienced significant financial losses as a result of the COVID-19 outbreak.





Industrial production between 1929 and 1933 fell by nearly 47%, GDP declined by 30%, and unemployment reached almost 25%.

20% of banks in existence in 1930 had failed by 1933 because of banking panics.



CONCLUSION

An unexpected combination of factors—including **questionable monetary policies, protectionist tariffs, and inconsistent government interventions**—caused the Great Depression

The American public believe that the government has a responsibility to guarantee the **health of the economy as well as the welfare of its citizens**.



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