

THE GREAT DEPRESSION

SOURCES: <https://www.britannica.com/story/causes-of-the-great-depression>

<https://www.thebalance.com/were-mortgage-crisis-and-bank-bailout-preventable-3305676>

<https://www.angelbroking.com/knowledge-center/share-market/how-to-avoid-stock-market-crash>

<https://www.thebalance.com/what-is-the-history-of-the-gold-standard-3306136#disadvantages-explained>

THREE CAUSES OF THE GREAT DEPRESSION

THE STOCK MARKET CRASH OF 1929

Once prices began their inevitable decline in October 1929, millions of overextended shareholders fell into a panic and rushed to liquidate their holdings, exacerbating the decline and engendering further panic.

BANKING PANICS AND MONETARY CONTRACTION

Between 1930 and 1932 the United States experienced four extended banking panics, during which large numbers of bank customers, fearful of their bank's solvency, simultaneously attempted to withdraw their deposits in cash.

THE GOLD STANDARD

As the United States experienced declining output and deflation, it tended to run a trade surplus with other countries because Americans were buying fewer imported goods, while American exports were relatively cheap.

ACTIONS THAT SHOULD BE TAKEN TO PREVENT THESE CAUSES

- The US should have had regulation of mortgage brokers, who made the bad loans, and hedge funds, which used too much leverage.
- Could also have been done some kind of preparation for the country to face the supposed crisis which should include diversifying your investment portfolio to minimize the impact of the crash and investing in low-risk options.
- Instead of raising interest rates to make dollars more valuable and prevent people from demanding gold, the Federal Reserve should have lowered rates to stimulate the economy.