

## The 1930s Great Depression

Explain the cause(s) or the story behind the recession.

The Great Depression occurred in the United States and affected nearly every country in the world. The causes that occur this depression are steep declines in industrial production in price (deflation), high unemployment, banking panics and greatly increase in rates of poverty and homelessness. In the US the effects of depression are worst around 1929 to 1933. The industrial production fell around 47 percent, gross domestic product (GDP) decline by 30 percent and unemployment rate increase to approximately 20 percent. During the 1920s the US stock market face a historic expansion. The price of stock market rose up to unprecedented levels and investing in stock came to be very popular and easiest way to make money and people using lots of their disposable income to invest in stock during the period. In the end of the decade hundreds of million shares were carried on margin. Once price began their inevitable most of overextended shareholders falls into panic. After that the stock price fell 33 percent because psychological shock and loss of confidence in the economy. Few years later large number of bank customers withdraw their cash, it's occur banking panic even financially healthy bank can be ruined. And all of the country's bank closed until they prove their solvency. It decreased consumer spending and business investment because there were fewer banks to lend money and also less money to lend and they reduced money supply and they believe to maintain the gold standard.

What happened to GDP (or growth rate), unemployment, and inflation of affected countries?

In United States, during the great depression real GDP has fall down around 25 percent and unemployment rate rise to 25 percent of population, which is mean that if we met 20 people five of them are unemployed. And I will give you some example of effect that affect other countries in my case I choose Canada. The industrial production in Canada had fallen to 58% from 1929 to 1932, and the total national income fell to 56% and their unemployment rate reached 27% which mean that sample of hundred people you will found that 27 of them are unemployed.