

The 1930s Great Depression

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

The 1930s Great Depression was the worst economic downturn in U.S. history, and this recession was caused by the stock market crash of 1929. During the 1920s the U.S. stock market had a historic expanding rapidly. Stock prices increased to the highest levels in the stock market at that time. Many people came to be seen that investing in the stock market as an easy way to make money. Even normal people used most of their income to buy stock. Once prices began their inevitable decrease in October 1929, millions of shareholders ran into panic, and they rushed to sell their holding. Between September and November, stock prices fell 33 percent. Accordingly, consumer spending, especially on durable goods, and business investment were dramatically decline. The effect of this leading to reduced industrial output and job losses, which further reduced spending and investment.

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

In United State, by 1930 there were 4.3 million unemployed. After that the unemployment rate rose above 25% and more than 5,000 banks had gone out of business. At that recession GDP declined by 30 percent. It becomes deflation because the prices level steep declines.