

Causes of the Depression Worksheet

Directions: Below is a series of quotes from different economist about the causes of the Depression. After reading each one, fill out the graphic organizer and respond to the prompt that follows.

Economist #1: Big business caused the Depression. Sales were good, and companies expected sales to get even better. So companies overproduced. New techniques and machines made production more efficient. Unfortunately, these techniques and machines replaced workers who were no longer needed. Trouble came when sales began to slow down. Then more workers had to be laid off. The laid off workers couldn't purchase the goods produced in such large numbers. This led to more unemployment.

Economist #2: The country as a whole was becoming richer but most of the wealth remained in the hands of a few people. While the wealthy could afford to pay for cars, appliances, the average wage earner could not. The country would have been much better off if the wealth had spread to more people.

Economist #3: Those who gambled on the stock market were at fault. Many people took chances investing their money in companies that were poor risks. Such worthless stocks were sold and resold, so stock prices for worthless companies went higher and higher. Banks and companies which purchased large amounts of these worthless stocks were forced to close, resulting in losses of millions of dollars and layoffs.

Economist #4: The consumer must be blamed as well. People used the popular installment plan to buy refrigerators, cars, radios, furniture, and clothing, when they didn't have the savings to pay for them. When people lost their jobs, not only could they not pay for rent or food, but they also struggled to keep up with payments for the goods they had purchased on credit. Also, people bought stocks with a down payment of only 10 percent of the purchase price. When stock prices dropped, they lost all the money they had invested and even lost money on their worthless loans.

Economist #5: The government did little to stop people from investing in worthless stocks. It should have stopped the practice of buying stock with only 10 percent down. The government should have kept a closer eye on banks that were investing depositors' money in worthless stocks. By keeping tariffs (taxes on goods from other countries) high, trade between countries was hurt severely. The government should have lowered these tariffs.

Topic	Which Economist Discussed This?	Rank Based On Importance (1-5) 1=Most
Big Business		
Buying-On-The-Margin		
Concentration of Wealth		
Government		
Unwise Investments		

Write a 5-7 sentence explanation as to who you place the blame for the Great Depression on and explain why.