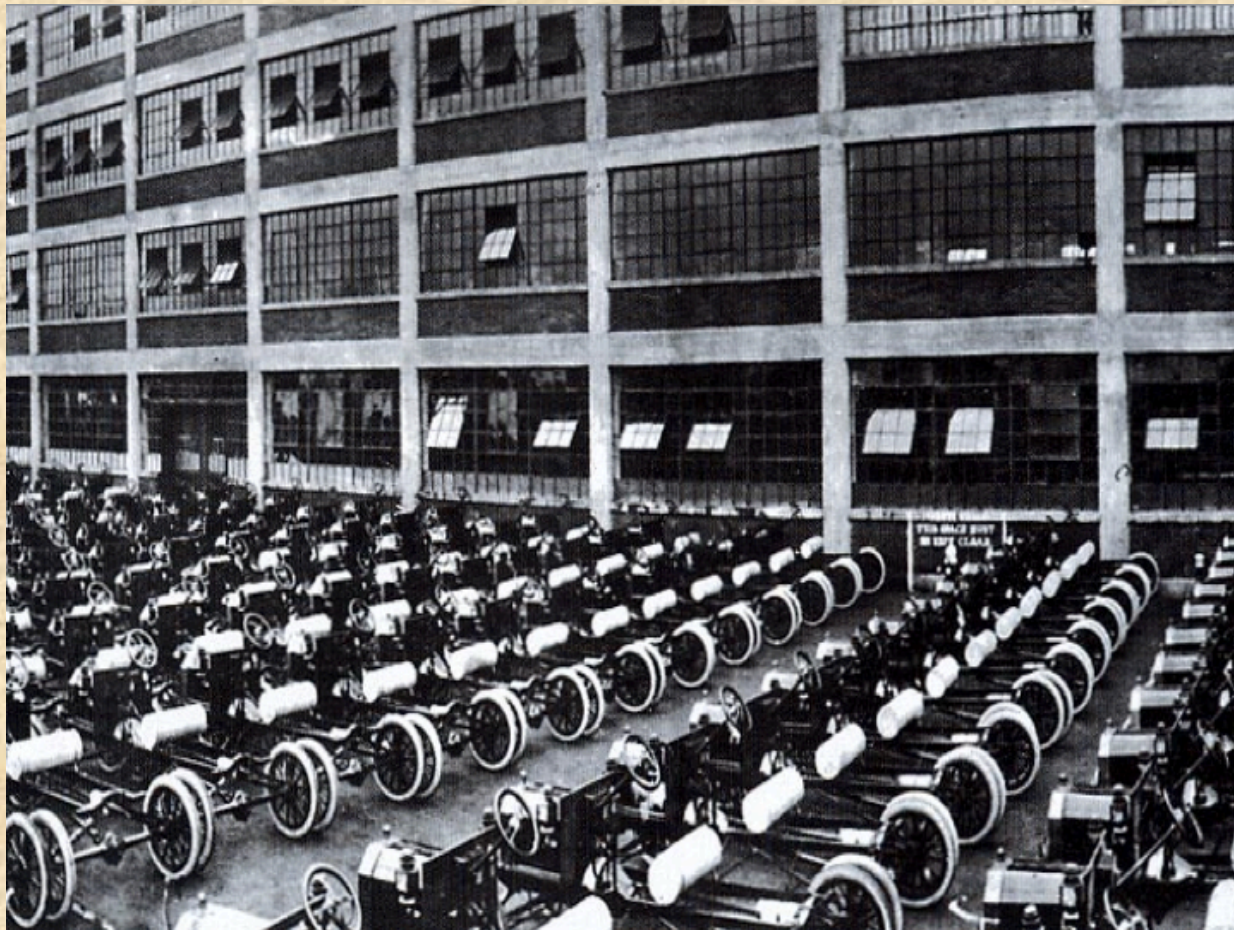


Causes of the Great Depression



1. U.S. Monetary Policy – Problems with the Federal Reserve

- **created to protect banks (1913)**
- **kept interest rates low during speculation**
- **raised interest rates after crash**



2. High Tariffs and War Debts

- Protectionist tariffs hurt US export sales
- Cycle of debt created by Dawes Plan also stifled trade – Europe couldn't afford US goods



Rep. Hawley (R-OR) and Sen. Smoot (R-UT)



Dawes Plan

3. Lack of Regulation of Stock Market – Financial Panic and Crash

- over speculation; bank loans, buying on margin**
- no regulation; fraud; risky investments**
- rush to sell when prices dropped – panic**
- rush on banks; banks failed; savings lost**
- fear of investment after crash; led to stagnation of finance industry**



4. Unequal Distribution of Wealth

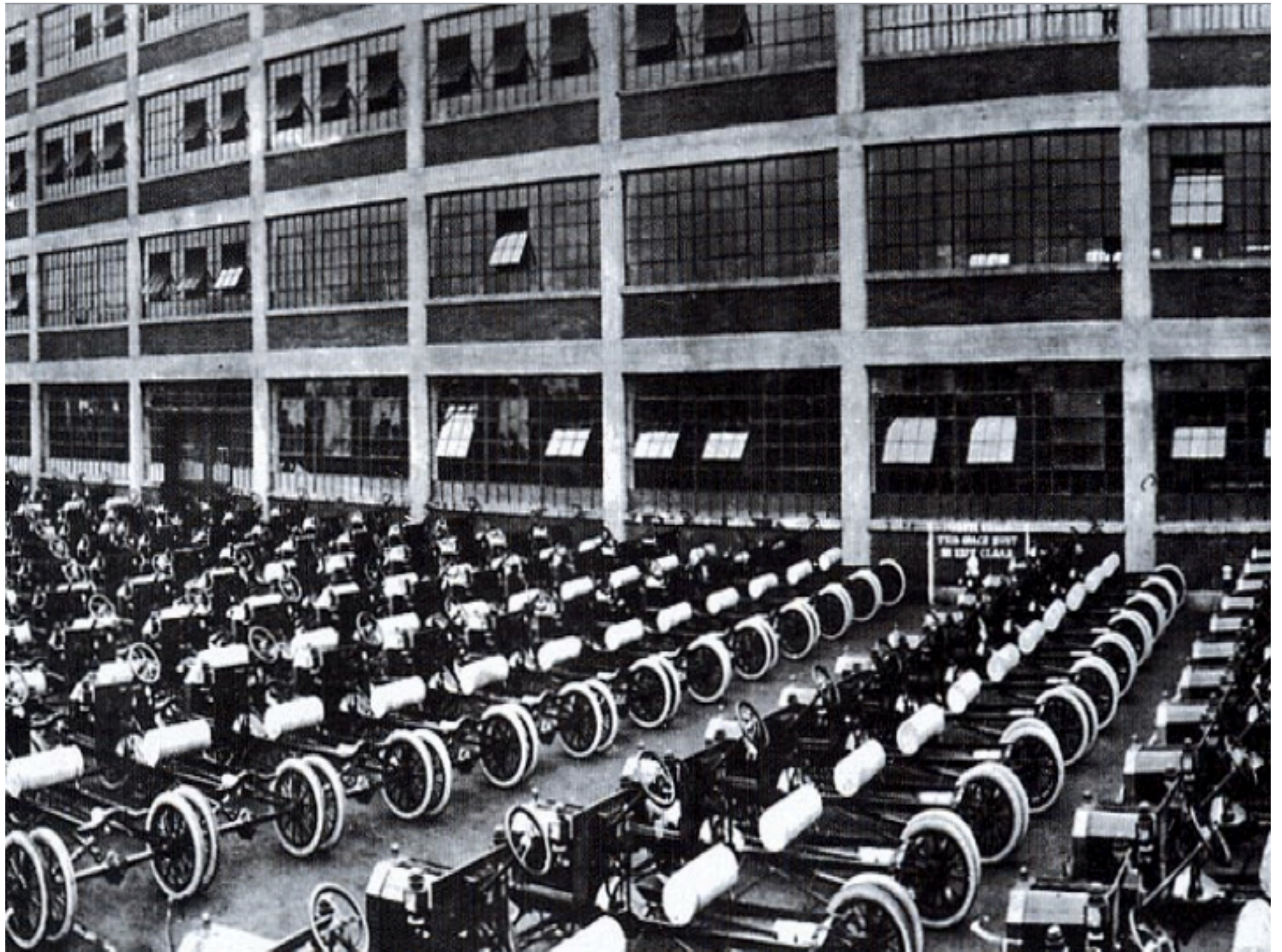
- unskilled workers and farmers couldn't afford consumer goods
- middle class – bought on credit – in debt



5. Overproduction: Industry

- buying on credit allowed fast increase of buying; saturated market
- companies still produced as if market would expand
- market stagnated; product piled up
- factories stopped production; workers were laid off





5. Overproduction: Agriculture

- WWI demand caused farmers to adopt modern techniques and produce more**
- Farmers continued to produce despite post-war drop in demand**
- Overproduction caused drop in prices**
- bad farming practices; overworked land led to Dust Bowl**



Surplus corn