**Factors Contributing to the** **and the**

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| **Factor** | **Roaring 20s** | **Great Depression** |
| World War 1 | US Industry undamaged becomes supplier to the world | Destruction of Europe leaves countries poor and unable to “consume” US products |
| Optimism among the people | People feel the economy will only improve and are willing to “consume” (buy) and take risks – fueling the economy | People borrow too much and are willing to pay too much for stocks in the belief that stock values will only go up – leading to overpriced stocks |
| Optimism among the banks and other institutions | Banks are eager to lend money (easy money) and eager to invest in the markets. Easy money helps people to “consume” (buy) and therefore helps business to grow | People are able to borrow too much and start to get nervous about their mounting debt.Banks are hurt twice as the economy falters – they lose their investments ***and*** they lose when their loans go bad  |
|  | Brokers are eager to lend money to investors to buy stock with no collateral (buying on margin). Easy money helps people to invest, driving up stock prices and apparent wealth | When the stocks start to slide, most people immediately lose confidence under the pressure of mounting debt and rush to sell. With no buyers, the stock prices crash |
|  | Business is optimistic that the population will continue to “consume” (buy). They manufacture more in anticipation and hire more workers | Overproduction leads to oversupply. Workers are laid off and prices for manufactured products fall. As profits disappear, more workers are laid off and businesses begin to fail |
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