Causes of the Great Depression

What Caused the Economy to Collapse?

Low Interest Rates
Federal Reserve kept interest rates low; companies borrowed money and expanded more than necessary.

Overproduction
Companies made more goods than could be sold.

Uneven Distribution of Wealth
Not everyone who wanted consumer goods could afford them.

High Tariffs
Tariffs restricted foreign demand for American goods.

Falling Demand
With too many goods unsold, production was cut back and employees were laid off.

Stock Market Speculation
Low interest rates encouraged borrowing money to speculate, endangering bank solvency.