

Depressions and Recessions

DAILY ACTIVITY

Directions: Read the information below and examine the graph. Then answer the questions that follow.

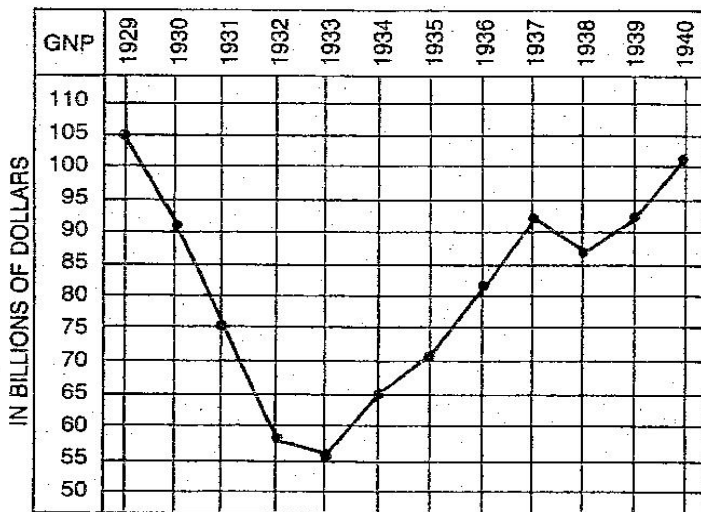
Eugene McCarthy, in his *Crescent Dictionary of American Politics*, defined two basic economic cycles that negatively affect a free enterprise system:

Depression—a very serious economic disorder marked by high unemployment, declining prices, bank failures, lower production and sales, and other evidences of a breakdown in the economic system

Recession—a time during which signs of economic distress such as rising unemployment, falling production, declining retail sales, and the like begin to show but have not reached the serious proportions which characterize a depression

Technically, after an economic decline lasts for two consecutive quarters (three-month periods), the trend is labeled a recession. It is a temporary setback in economic progress.

The Gross National Product of the United States of America



Mastering Facts

1. Describe what happens during a recession.

2. Describe what happens during a depression.

Comparing and Contrasting

3. What is the difference between a recession and a depression?

4. The Gross National Product (GNP) is the market value of all goods and services produced in one year. When did it come close to what it had been in 1929?

5. During which period was the GNP at or below \$65 billion?

6. During which year was the GNP at its lowest level?

7. During which year was the sharpest decline in GNP?

8. Which year showed the greatest upswing in the economy?

Interpreting Graphs

9. What statistics show that there was a serious depression in the American economy between 1929 and 1940? Cite the relevant figures.

10. What evidence indicates that a recession also occurred at one point during the period 1937-1939?
