

Name _____

Unintended Consequences: Government Policies and the Great Depression

Open-Ended Response Answer Key

1. Policymakers during the Great Depression faced the daunting challenge of addressing a severe economic crisis with limited understanding of macroeconomics. They attempted various policies and actions to combat the crisis, often with unintended negative consequences. The lack of knowledge about the interconnectedness of the global economy contributed to these unintended consequences. Lessons learned from this period have underscored the importance of informed and coordinated economic policies in times of crisis.
2. Government policies and actions during the Great Depression had both negative and positive effects. The Smoot-Hawley Tariff Act and the Federal Reserve's monetary policy mistakes worsened the depression. In contrast, policies like the New Deal aimed to alleviate economic hardships. These lessons continue to influence modern economic policies, emphasizing the importance of international cooperation and avoiding policies that could exacerbate economic downturns.
3. The lessons learned from government policies and actions during the Great Depression have shaped modern economic policies and the role of government during economic crises. Policymakers now prioritize economic stability, employ counter-cyclical measures, and coordinate internationally to prevent the unintended consequences seen in the 1930s. The Great Depression served as a catalyst for the development of economic theories and policies that guide responses to economic challenges today.
4. As an economist advising policymakers during the Great Depression, I would have recommended several measures to avoid unintended consequences. These might include maintaining international trade relations to prevent retaliatory tariffs, adopting flexible monetary policies to combat deflation, providing support to banks to maintain financial stability, and increasing government spending to stimulate demand and production. Coordination with other countries and transparency in policymaking would also be crucial to mitigate negative effects.

