YEAR 12 EARLY STARTER · SAMPLE STAGE

Stage 3: the Great Depression and Keynes

One of the eight stages, in full: what the student will be able to do by the end, what they read, how they reflect and discuss, an independent research task and the checkpoint. Timing: December to January, about two hours a week.

1 By the end of this stage, you will be able to…

Levels: 1 recall, 2 explain, 3 apply to a new case, 4 evaluate and defend.

- **Economic history (A3), level 3.** Explain why the 1929 crash and the slump that followed happened, and judge whether the crash was a cause of the Depression or a symptom.
- **Macro models (A2), level 3.** Use the Keynesian cross to show how a fall in spending lowers output by more than the fall itself, and say what sets the size of the multiplier.
- **Thinkers and debates (A4), level 2.** Explain Keynes's key ideas and the main criticism of them, in your own words.
- **Thinking like an economist (C1), level 3.** Use a counterfactual: what would have happened if Britain had stayed on gold after 1931?

2 Read

Four Ceteris Learn modules. Each is a written teaching explainer: the idea, the evidence on each side and where the debate stands now.

The Wall Street Crash of 1929

Why share prices rose and fell so fast: buyers borrowed most of the price, the Federal Reserve had raised interest rates, and the economy had already turned. The crash deepened a fall that had begun before October, and the slump lasted 43 months.

The gold standard in the Depression

Britain's return to gold in 1925 and its exit in September 1931, and a rule that forced the countries losing gold to cut. The countries that left gold earliest recovered earliest, once their money could grow again.

John Maynard Keynes

What Keynes argued from Versailles to Bretton Woods: reparations, stable prices, aggregate demand and liquidity preference. Where he shaped policy, and what his critics said.

The Keynesian cross

How output settles where planned spending equals output, through unplanned changes in firms' stock. The recessionary gap, the multiplier, and the paradox of thrift.

Book: J. K. Galbraith, *The Great Crash 1929* (1955). About 200 pages; if short of time, read the final chapter, "Cause and Consequence", where Galbraith sets out the weaknesses he thinks turned a crash into a depression. A short, much-cited history written with a clear argument about causes.

Shorter option: John Maynard Keynes, "Economic Possibilities for our Grandchildren" (1930), an essay of about 15 pages written in the Depression's first year.

3 Reading log prompts

Answer each in two or three sentences in your own words, after the module it belongs to.

1. Was the crash a cause of the Depression or a symptom?
2. Why did leaving gold help the countries that left first?
3. Which of Keynes's ideas would you defend at interview, and against what objection?
4. Work through one change in spending in the Keynesian cross. What sets the size of the multiplier?
5. **Stage reflection (a short paragraph).** Galbraith ends with the weaknesses he thinks turned a crash into a depression. Pick the one the modules support best, explain it with the Keynesian cross, and say what policy in 1930 could have prevented it.

4 Discussion questions

Talk these through aloud, ideally with a parent or friend, from easy to hard. Think aloud, and say what you would need to know.

1. **Recall.** What does it mean to buy shares with borrowed money, and why did it make the fall in 1929 faster?
2. **Explain.** Why did the gold standard force countries that were losing gold to raise interest rates or cut spending?
3. **Apply.** In the Keynesian cross, households decide to save more. What happens to output, and to total saving?
4. **Apply.** Why would the multiplier be smaller in an economy that imports a lot and taxes income?
5. **Evaluate.** Was the Depression mainly a failure of markets or a failure of policy? Take a side and say what evidence would change your mind.
6. **Unseen extension.** A country's central bank cannot cut interest rates any further, and the government is told to balance its budget. Using what you know about 1931, what would you advise, and what is the strongest objection to your advice?

5 Independent research task

Thinking like an economist (C1) and independent research (C2). Choose one country the modules do not cover in detail, such as Japan, Sweden, Australia or Germany. Find when it left the gold standard (or tied its currency to another) and how its industrial production moved from 1929 to 1936.

- Does it fit the pattern that countries leaving gold earlier recovered earlier? If not, what else was going on?
- Use at least two sources and say what each is. Good starting points: the NBER Macrohistory Database and the Bank of England's "A millennium of macroeconomic data".
- Write it up as one research entry in your reading log: your question, what you found, your sources, and what you now think.

6 Checkpoint

Self-check (self-guided)

Rate yourself on each outcome, then answer the two questions below before reading the model answers.

Outcome	1 Recall	2 Explain	3 Apply	4 Evaluate and defend
A3 History	Dates and events right	Gives the causes	Compares 1929 with another crisis	Ranks the causes with evidence, both sides
A2 Macro models	States the multiplier result	Walks through the mechanism	Uses it on a new case	Weighs it against a rival model
A4 Debates	States Keynes's ideas	Explains why he held them	Applies them to a later slump	Defends or rejects them under challenge
C1 Economist's thinking	Uses the terms	Names the incentive	Builds a counterfactual unprompted	Asks what evidence would settle it

Self-check 1. Was the 1929 Wall Street crash a cause of the Great Depression or a symptom?

> Both have evidence. Symptom: the US economy had already turned before October 1929, and the Federal Reserve had raised rates. Cause: the crash destroyed wealth and confidence, cutting spending. The slump then deepened through bank failures and the gold standard, which forced countries to keep money tight. A strong answer says how much each mattered, and that the length of the slump (43 months in the US) points to policy after the crash more than the crash itself.

Self-check 2. In the Keynesian cross, households decide to save more. What happens to output and to total saving?

> Planned spending falls, so firms find unsold stock building up and cut output. Output falls by a multiple of the cut in spending. As incomes fall, saving falls back until it again equals planned investment, so total saving ends up no higher: the paradox of thrift.

With a tutor

On the tutored option, this stage is the subject of the first 45-minute 1:1 session, in December. Its objective is set in advance: verify the history and macro outcomes above, and the use of counterfactuals.

- **Before:** the tutor reads the student's four reflections and the stage reflection.
- **10 minutes:** the student explains, unprompted, why a stock market crash turned into a four-year depression.
- **20 minutes:** probing as at interview, ending with the unseen extension above.
- **10 minutes:** one skill, taking a hint: the tutor steers once, and the student follows the steer and says why it helps.
- **5 minutes:** targets for stage 4.
- **After:** a level recorded for each outcome, and three to five lines of written feedback for the student and parent.