2. А.Исаева «Мемлекеттің дамуына әсер ету тұрғысындағы Қазақстанның қазіргі кездегі салық жүйесінің ерекшеліктері» Қаржы-Қаражат, 2005, №6, 22-25 стр.
3. Статистикалық бюллетень 2006, №12(96).
4. «Қазақстан Республикасының әлеуметтік – экономикалық дамуы» статистикалық бюллетень 02/2008.

CAUSES OF GREAT DEPRESSION

Balgabekov Yeldos, Shamyrkanov Bakyt
Suleyman Demirel University
Faculty of economics and management, gr. Eco 2 B
Instructor Dr. Auken V.

Introductory
The preconditions of the crisis "Great Depression" is the theme of our research paper. In this research paper we will descry the main reasons of happening of "Great Depression" and we will strive to build some logic sequence model of actions caused crisis. In research paper we will try show and explain what and how influenced on the "Great Depression" and in the end make conclusion how avoid such crisis. And of course why did we take this theme? The first reason of choosing this topic is ignorance of peoples as we were before making research. The second reason is to improve our knowledge in economic area. So we want to narrate what were before "Great Depression". We could sight Rapid Growth of population because of development of medicine and it was after First World War. Also through technological advancement productivity had increased as well as real income of peoples. During this time everywhere were appeared many asphalt ways needed to many millions cars which displaced cartages. Also during those years were accessed electronic apparatus and telephones. As you can see nothing and nobody forebodes such crisis. So the Great Depression has begun in the 1929. Still the many scientists cannot give the clear answer and denote the direct causes or actions which lead this World crisis. Most of them agree that there were no direct or exact causes but there were some reason that jointly could play a role of happened the crisis. Whereupon this economic crisis led a terrible aftermaths such as victory on parliament election Nazi party in Germany in 1933 and starvation in USSR particularly in Kazakhstan which took away a millions lives of people.

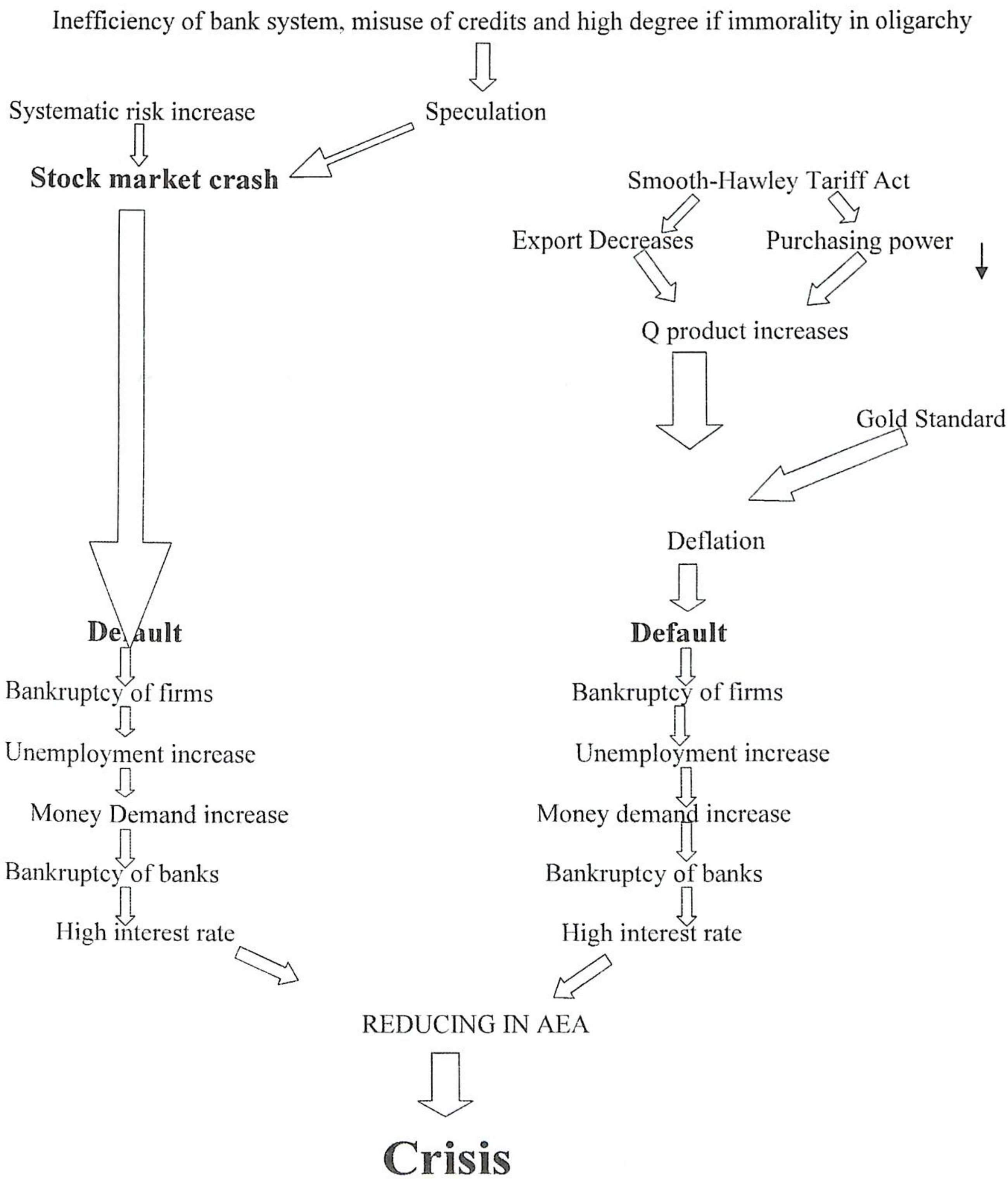
Analyzing
So we want to introduce our model or consequence of acts and events which might cause "Great Depression". On first glance of healthy economy many specialists denote some vulnerable points. From one side, Americans were not addicted to cautious optimism. There was a mood of "new era" that would guarantee a powerful and stability of theirs economy yet in difficult times. Other side of happened crisis, the one serious defect was in the idea that American economy is still self-regulating and any government intervention could merely harm economy, not insignificant stereotype implanted from childhood that "rough individualism" is main feature of conduct business, so people didn`t help each other in difficult situation. And we consider that those "rough individualism" of economy and mood of "new era" of people influenced on some facts that there were before "Great Depression". Those some serious facts which could provoke crisis are inefficiency of bank system, misuse of credits and high degree if immorality in oligarchy. And how have inefficiency of bank system, misuse of credits and high degree if immorality in oligarchy influenced on the beginning of the crisis? Before the crisis banks gave loans without an appropriate checking customer`s creditability and at low interest rate. In addition financial securities like shares, stocks and others which promised were very popular among people. Millions of Americans included middle and poor people had bought financial securities expecting fast lifting of prices. Those exchange speculations had been encouraged by businessmen and brokers. Before "Great Depression" monopolists and oligarchy had a huge power that they use only for their private needs, namely making profit in each way. The owners of companies knowingly had increased their net profit and made overcharge forecasts of their profits which afterwards would be announced. Providing historical facts wealth of some rich families such as Kennedy and others during Great Depression enhanced theirs wealth almost in 25 times. Returning to the main idea: the popularity of those financial securities led to misuse of credits: who could take credit had invested the money in stocks hoping on drastically increasing in prices. Consequently this buying out of stocks, shares and speculative expectations cost of securities constantly increased. All cost of securities registered in New York stock exchange enhanced almost in 3 times among 1924 and 1929. As result

those actions and situation did U.S.'s economy very vulnerable. And in one day people have understood that companies which had emitted shares and obligations couldn't pay enough dividends and cost of stocks is overcharged. And they had started to sell off this stocks to save own money what would led to widely reduction in prices of stocks what would led to Stock Market Crash. This day was the Stock Market Crash so-called "Black Thursday" in 1929. So sum up our inference the inefficiency of bank system, misuse of credits and high degree if immorality in oligarchy had led to the high speculation simultaneously increased systematic risk and as result it all led to Stock Market Crash.
But it is not all. We also consider that maybe after Stock Market Crash would be the crisis but not so deep and harmful. As previous said there were some others factors that only made worse the situation after Stock Market Crash and only develop crisis were Smoot-Hawley law and monetary policy "Gold Standard". In the 1930 U.S. government had made the barriers upon import goods. This tariff achieved 53% on price of imported goods. The main idea of tariff code was to protect and restrict foreign production imported in United States. In one hand trying to protect and intensify local industries government had increased the price on the cheaper import. Therefore public were not able to buy cheaper imported goods that led to decreasing of purchasing power of people. And decreasing in purchasing power of people causes reduction of GDP because of ascending in prices people started to buy less than before. From other hand U.S. government didn't considered that U.S. is a part of world economy and how they were depended on others countries. Countries suffered from law also had made such barriers to the U.S. goods. But because of part of production went to abroad, hence the U.S. producers could not supply to the other markets in previous quantities and the quantity of not sold products was increasing. After acceptance of Smoot-Hawley law U.S. export decreased by almost 3.1 times. Also this code of tariffs had caused deceleration of all world economy activity. Some statistician dates before tariffs National Income reduced almost by 50%. And because of the reducing in National Income and in Export, AEA world economy was thrown to the indexes of the beginning of XX century. So the Smooth-Hawley law had led to decrease purchasing power of people and huge amount of not sold goods what reduced GDP.
In addition after imposing Smooth-Hawley law the monetary policy used by FED had caused the lack of money which merely deteriorate so worse economic situation. The lack of money was appeared because of the policy kept by the U.S. government so-called "Gold Standard". So to produce one additional dollar government need to one additional of ounce gold. The aim of this policy was to hold the dollar rate to the gold spares (the simple words is Money Supply was constant) and keep stable inflation rate. But this policy like others had negative side, this negative side is in that "Gold Standard" directed on keep inflation in case of surplus of whole economy would only generate deflation. Afterwards, those factors such as Smoot-Hawley, "Gold Standard" and decreasing purchasing power had caused large number of goods which was not sold and consequently, there was appeared the high rate of deflation (overall reduction of price).
And inefficiency of bank system, misuse of credits, high degree if immorality in oligarchy, and Smoot-Hawley law, monetary policy "Gold Standard" had caused default of almost whole economy . There were 2 different defaults. One was caused by Stock Market Crash. After Stock Market Crash prices of shares and stocks as we denoted drastically fell down as well as ascended. Firms and corps purposed to sell their shares at high prices couldn't do this. Because the financial securities are a main source of cash inflow, they couldn't repay loans and furthermore invest. Second default was caused by high rate of deflation. People, businesses, and banks were deeply in debt when price deflation occurred or demand for their product decreased. And when prices fell 20–50% as well income but the debts remained at the same dollar amount. As result of defaults banks and firms became bankruptcy. When firms started to became bankruptcy and didn't pay loans. Banks which had financed this debt began to fail as debtors defaulted on debt. Bank failures led to the loss of billions of dollars in assets.
Because of the bankruptcy of the companies and fabrics thereby unemployment rate increased to 24.9 %. According that most of them lose their jobs; people needed more money namely Money Demand increased. As we know from the rule Money Demand; increase in Money Demand will led to increase in the interest rate. And depositors became worried about their deposits and began massive withdrawals. Depositor's withdrawals collapse finally bank system. Collapse of bank system had led to almost stopped borrowing loans or very high interest rate. High rate had caused reduction in AEA. Economy started produce less than last 10 years. It was a beginning of "Great Depression". So it is our version how "Great Depression" occurred.
Conclusion

We consider that the main culprit of the crisis was timeless intervention of government. Maybe if government had in time regulated economy the crisis would have been happened. So we suggest some tools how to avoid crisis.
Make trade barriers accurately with deeply considering following outcome. That could influence on economy entirely in the long-run as it was in the Great Depression with Smoot-Hawley Tariff Act.
In 20-30th years in USA we've noticed negative side of monopoly that is unfair allocation of wealth that leads to handicap the developing and even appearance of crisis. So we infer that government has to encourage competition and restrict monopolies and if it is possible liquidate them.
Correct regulate inflation rate. We think that one of the causes in appearing crisis that administration did not regulate high deflation. According this we should accurately look out purchasing power by controlling inflation and deflation. National bank (Central Bank) should set regulation on commercial banks that they seriously check creditability of clients. In case of emergency to support bank sector as did our government in last year (they inject 4 billion) via using some mechanisms maybe giving subsidies or other. Because we saw that crash in bank system leads to serious crisis such as Great Depression
We infer that speculation or lifting prices may lead to terrible cases as Stock Market Crash on October 29, 1929(Black Thursday). And to strive with it we suggest using some economic tools of price setting. Set the minimum and maximum prices so called price ceiling and price floor.
During working out research we found out some similarities with recently events in Kazakhstan. We revealed inefficiency of bank system, misuse of credits and lifting prices interested by some rich people as well in "Great Depression". Situation was very similar what was in contemporary time in Kazakhstan. There was also inefficiency of banks last years. Everybody remember that to take credit was very easy and banks didn't check seriously creditability of clients. People like in Great Depression bought out flats expecting fast lifting prices. Because of this price of flats were drastically increasing in Almaty during the last 2-3 years. There was probability of occurring sequence, but government prevented crisis by supporting commercial banks injecting $4 billion.
Glossary
Systematic risk- risk that can't be diversified
Speculation- operations of purchasing and selling financial instruments that have insufficient price and profit in the future.
Price ceiling- maximum price that can be charged
Price floor- minimum price that can be charged
Default- unable to repay duties
Deflation-decreasing overall prices
Inflation- increasing overall prices
FED- National Bank of USA

References:

1)Экономическая история капиталистических стран: Учебное пособие для экон. спец. вузов / Под ред. В. Т. Чунтулова, В. Г. Сарычева. — М.: Высшая школа, 1985. С. 148 – 183.
2) www.usinfo.ru/greatdepression.htm
3) http://forex.ua/analit/5defolt.shtml
4) http://www.itinvest.ru/analytics/archive/360/47722/
5) http://www.rokf.ru/investment/2008/01/11/091150.html
6) http://www.kreml.org/opinions/173317044
7) http://amstd.spb.ru/Great_Depression/index.htm
8) З. Козенко, Севостьянов История США: Учебное пособие. — М.: 1994.
9) Прокудин Д.В. Лекции по истории западной цивилизации XX века. Лекция 11. Соединенные Штаты 1928-1938 годов или парадоксы индивидуализма. http://som.fio.ru/getblob.asp?id=10001745
10) Остапенко "Великая депрессия в США и современный российский кризис: причины и пути преодоления", http://www.ptpu.ru/issues/1_98/6_1_98.htm
11) www.federalreserve.gov



Inefficiency of bank system, misuse of credits and high degree if immorality in oligarchy
Systematic risk increase
Speculation
Stock market crash
Smooth-Hawley Tariff Act
Export Decreases
Purchasing power
Q product increases
Gold Standard
Deflation
Default
Bankruptcy of firms
Unemployment increase
Money Demand increase
Bankruptcy of banks
High interest rate
Default
Bankruptcy of firms
Unemployment increase
Money demand increase
Bankruptcy of banks
High interest rate
REDUCING IN AEA
Crisis