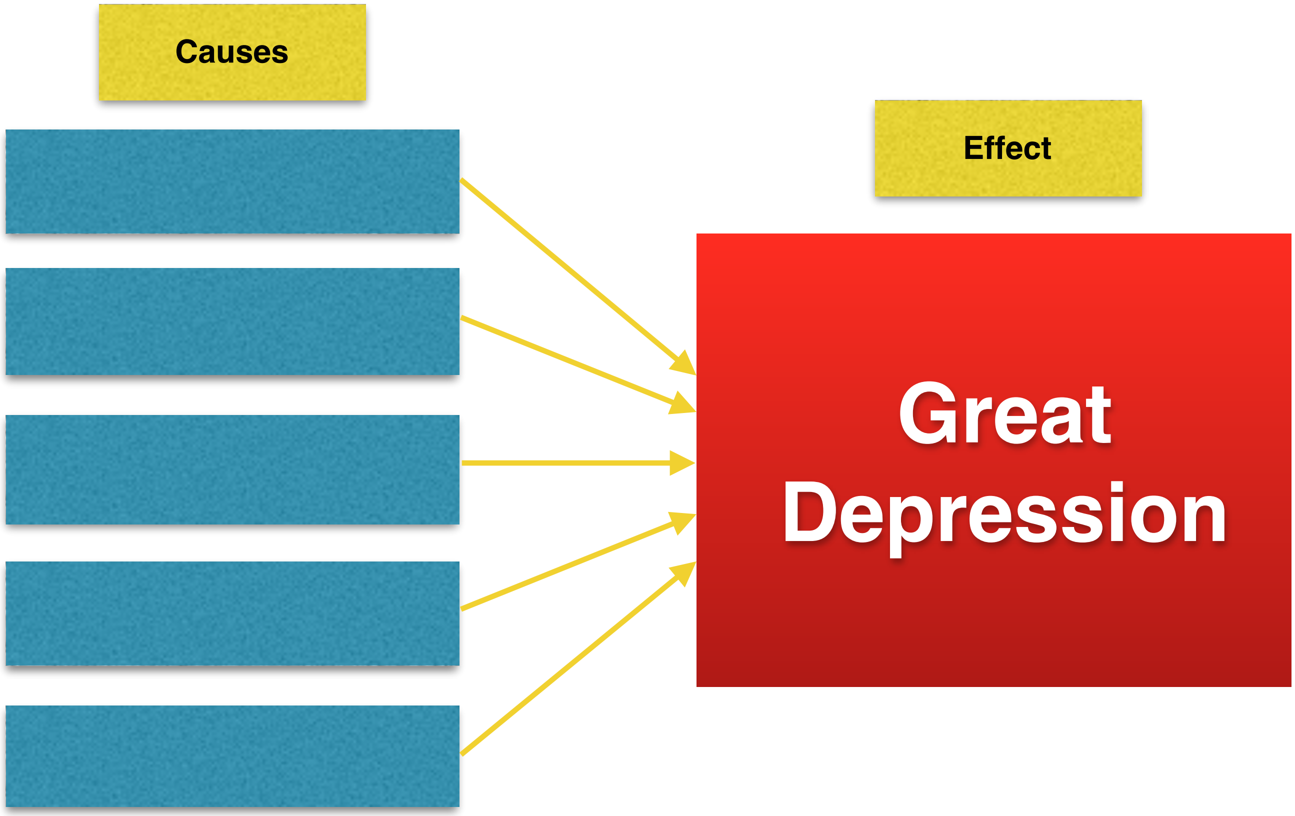
Beginnings of the Great Depression

Big Idea

As you read through these passages, complete this **graphic organizer by filling in some causes of the Great Depression.**



The Long Bull Market

Making Inferences

Read the third paragraph again. Make an inference about 1920s stock prices compared with their actual values.

In the 1928 presidential election, Herbert Hoover ran as the Republican nominee. The Democrats nominated Alfred E. Smith, a Catholic. Many Protestants feared the Catholic Church would rule the White House if he was elected. Hoover and the Republicans also took credit for the prosperity of the 1920s. As a result, Hoover won.

After the election, stock prices continued to increase. The stock market was a system for buying and selling shares of companies. The late 1920s saw a bull market, or a long period of rising stock prices. Many investors began buying stocks on margin. They made a small down payment on the stock and took out a loan from a stockbroker to pay for the rest. If stock prices fell, the stockbroker issued a margin call, a demand for the investor to repay the loan.

Before the late 1920s, the prices that investors paid for stocks had to do with the company's profits. This was no longer true by the late 1920s. Many buyers hoped to make a quick profit and practiced speculation. They were betting that the stock market would continue to climb.

The Great Crash

Determining Cause and Effect

List two causes of bank closures. Then list two effects of the closures.
Causes:

Effects:

By mid-1929, the stock market was running out of new customers. Professional investors began selling off their holdings. Prices decreased. Other investors sold their shares to pay the interest on loans from brokers. Prices fell further. On October 29, 1929, which became known as Black Tuesday, stock prices took their steepest dive. The crash was not a major cause of the Great Depression, but it undermined the economy.

Many banks had lent money to stock speculators. They had also invested depositors' money in the stock market. When stock prices fell, many banks lost money on their investments, and speculators could not repay their loans. The banks had to cut back on the number of loans they made. As a result, people could not borrow as much money as they once did. This helped send the economy into a recession.

Many banks were forced to close. People who had deposits in these banks lost all their savings. Some Americans began bank runs. This takes place when many people withdraw money at the same time out of fear the banks will close. This caused many more banks to collapse.

The Roots of the Great Depression

Identifying the Main Idea

What is the main idea of the passage?

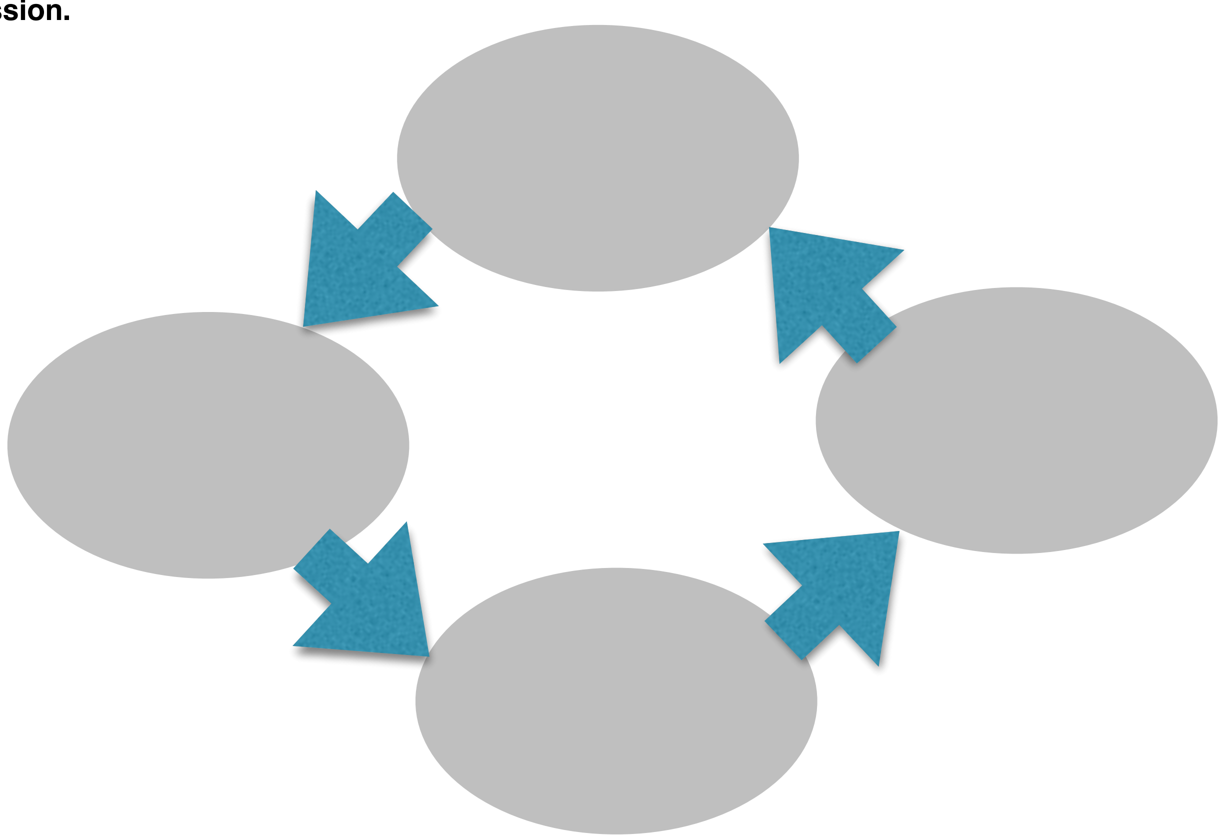
The Great Depression had several causes. One was overproduction. Most Americans did not have enough money to buy all the goods that were made. During the 1920s, many Americans bought high-cost items on the installment plan. This allowed people to pay for items in monthly installments. Some people had to reduce their purchases in order to pay their debts. When sales slowed, manufacturers cut production and laid off employees. This effect rippled through the economy.

Americans were also not selling many goods to foreign countries. In 1930, Congress passed the Hawley-Smoot Tariff. It raised the tax on many imports. Foreign countries then raised their tariffs against American goods, which caused fewer American products to be sold overseas. The Federal Reserve had kept interest rates low in the 1920s, encouraging banks to make risky loans. Low rates also misled many business leaders into thinking that the economy was still growing. They borrowed more money to expand production. This led to overproduction when sales were actually decreasing. When the Depression hit, companies had to lay off workers to cut costs.

Life During the Great Depression

Big Idea

As you read through these passages, complete this graphic organizer by **filling in the cycle of the Great Depression.**



The Depression Worsens

Evaluating Information

Highlight which paragraph contains the best information about the Depression's impact on farmers	The Depression grew worse during Hoover's administration. Thousands of banks failed, and thousands of companies went out of business. Millions of Americans were unemployed. Many relied on bread lines and soup kitchens for food. Many people could not afford to pay their rent or mortgage and lost their homes. Court officers, called bailiffs, evicted non- paying tenants. Homeless people put up shacks on public lands, forming shantytowns throughout the country. Many called the shantytowns "Hoovervilles" because they blamed the president for their problems. Some homeless and unemployed people wandered around the country. Known as hobos, they traveled by sneaking onto open boxcars on freight trains. Great Plains Farmers soon faced a new problem. When crop prices decreased in the 1920s, farmers left many fields unplanted. In 1932, the Great Plains experienced a severe drought. The unplanted soil turned to dust. Much of the Plains became a Dust Bowl. Many families packed their belongings and headed west to California. Still, many remained homeless and poor.

Life During the Great Depression

Big Idea

As you read through these passages, complete this graphic organizer by **listing President Hoover's three major initiatives and their results.**

Major Recovery Plans

1.

2.

3.

Promoting Recovery

Identifying the Main Idea

What is the main idea of this passage?

Publicly, President Hoover declared the economy to be on the right track soon after Black Tuesday. Privately, he was worried. He brought together business, as well as government and labor leaders. Industry leaders promised not to cut factories or cut wages. By 1931, they had broken these promises.

Hoover increased public works, or government-financed building projects, to create jobs. It wasn't enough. For public works to make a dent, Hoover needed to massively increase government spending. He would have to either raise taxes or run a deficit. Either way, Hoover was afraid it would only delay economic recovery.

Hoover set up the National Credit Corporation and the Reconstruction Finance Corporation to provide money to banks and businesses, but neither met the nation's needs. Hoover opposed relief, money given directly to destitute families. By the spring of 1932, local and state governments were running out of money. Congress passed an act to provide loans to states for direct relief. Hoover signed it, but the program could not reverse the economy's downward spiral.

Section Wrap-Up

Answer these questions to check your understanding of the entire section.

1. How did buying stocks on margin cause problems?

2. How did overproduction cause unemployment to rise?

3. What was the Dust Bowl and what caused it?

4. How did the Great Depression affect American families?

5. How would you evaluate President Hoover's attempts to revive the economy?

6. What were the limitations of Hoover's recovery plans?