

CAUSES OF THE GREAT DEPRESSION

Chapter 8 Lesson 1

Lecture Focus Question

• How did the prosperity of the 1920s lead to the Great Depression?

Explain.

Optimism Sweeps America

- 1920s: Times are good!
- Presidents took credit for prosperity
- 1928: Hoover promised
 - Prosperity will continue
 - “a chicken in every pot, a car in every garage”
- Elected president!



Connection #1



- What kinds of things does our current president like to take credit for?

The Stock Market Soars

- **Stock market:** where investors connect to buy and sell investments — most commonly, stocks, which are shares of ownership in a public company
- **Bull market:** term used to describe the stock market when prices and stock value are rising
- **Bear market:** term used to describe the stock market when prices and stock value are dropping
- **Speculation:** betting the market would continue to climb and making risky investments



Problems Plague Farmers



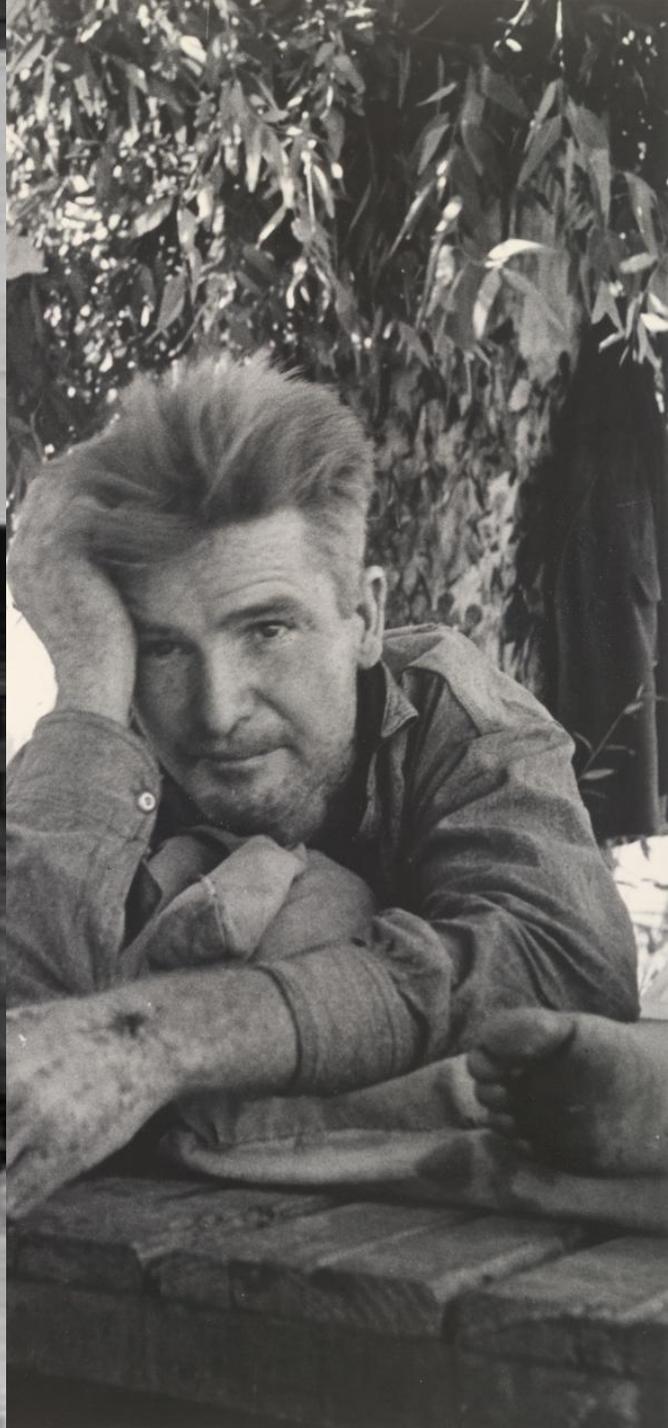
- Farmers suffered economically
 - Contracted huge debt during WWI
 - Large decline in demand for crops
 - Farms still yielded bumper crops but failed to sell
- **Result:** farmers in debt, no cash, lived on credit

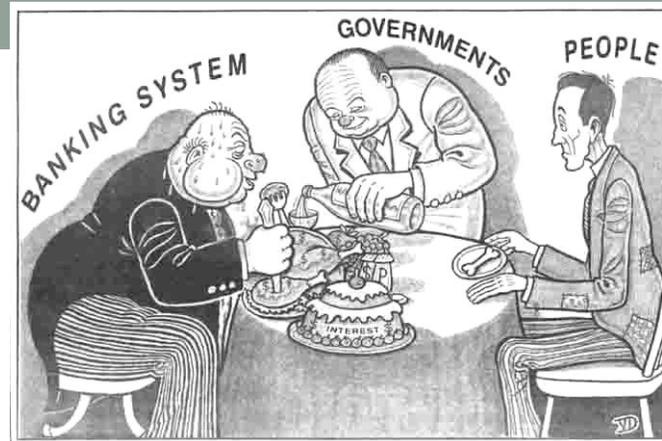


SIMON SAYS...



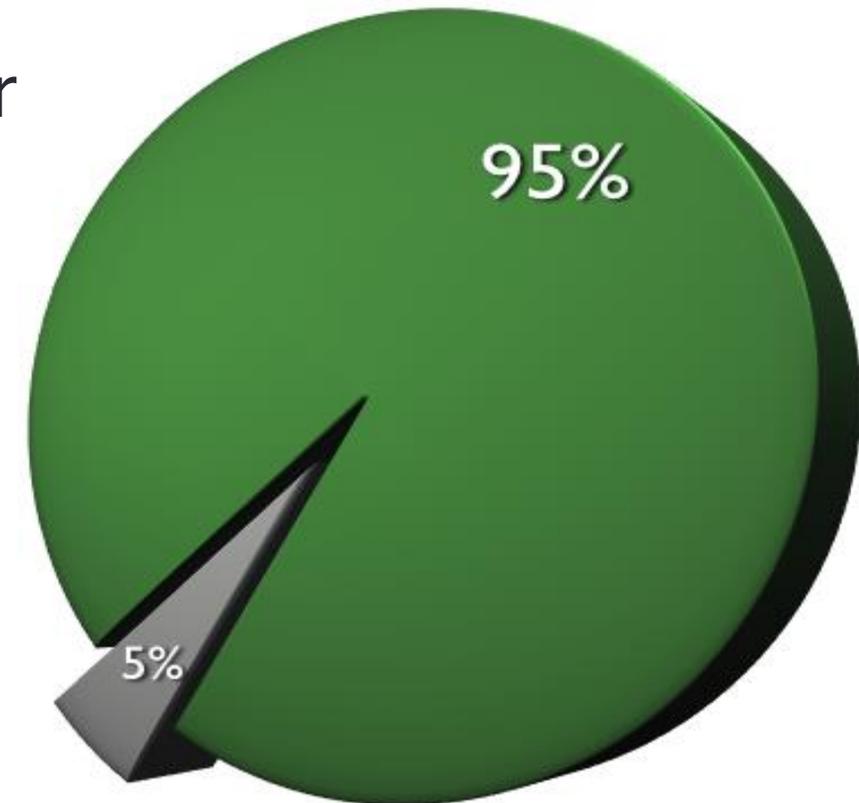
Farmers went into debt during and right after WWI in order to help feed our allies in Europe who weren't able to feed themselves yet.





Wealth & Credit

- Rich got richer
- Workers became less poor
 - Yearly income of worker: \$2,000 / year
 - Yearly income of wealthy: \$100,000 / year
- **Result:** nation's \$ unevenly distributed
 - 95% of Americans controlled 5% of \$
 - 5% of Americans controlled 95% of \$
 - *Expansion of credit hid this problem*



Connection #2



- The use of credit to purchase consumer goods is still very popular. When was the last time you saw someone use credit to buy something? What did they buy?

Stock Market Crashes

- Boom and bust economy
- Speculation + Overproduction of goods=
 - 1) Confidence in stock market drops
 - 2) Stock prices drop slightly
 - 3) Stock brokers and banks start calling in loans

Black Tuesday → Great Crash

- *Great Crash = Stock Market Crash of 1929*



BLACK TUESDAY

NEW YORK, TUESDAY, OCTOBER 29, 1929

THE STOCK MARKET CRASH OF 1929

BY BARBARA SILBERDICK FEINBERG

NEW YORK, OCTOBER 29 — Another hurricane of liquidation hit the stock market today, as financial uncertainty led on rumor and turned to panic. Frightened investors ordered their brokers to sell at any price, and the stock market crashed. Those on the floor of the Wall Street exchange waded in paper and tried to add up their losses.

It is believed those losses total billions of dollars. Thousands of accounts were wiped out as a record



Crowds Gathered On Wall Street As The Market Went Into Historical Decline

number of shares were traded. Some stocks were almost given away. Millions of shares traded hands.

Brokers on the floor of the Exchange have never seen a day like this. The stock on Wall Street spread to other exchanges and markets. It

was a country-wide collapse of security values in which losses were the most disastrous and far reaching in the history of the Stock Exchange. There was near-panic on the Chicago commodities exchange. Rumors spread from one end of the United



SIMON SAYS...



Black Tuesday is NOT the same as Black Friday. Black Friday is so named because that's usually the time of year when businesses break even and go on to make a profit for the rest of the year.



BRAIN SNACK

- Choose 3 words that summarize the notes so far. Write them down with your right hand in the corresponding column. Then, write those same 3 words with your left hand in the remaining column.

LEFT HAND

RIGHT HAND

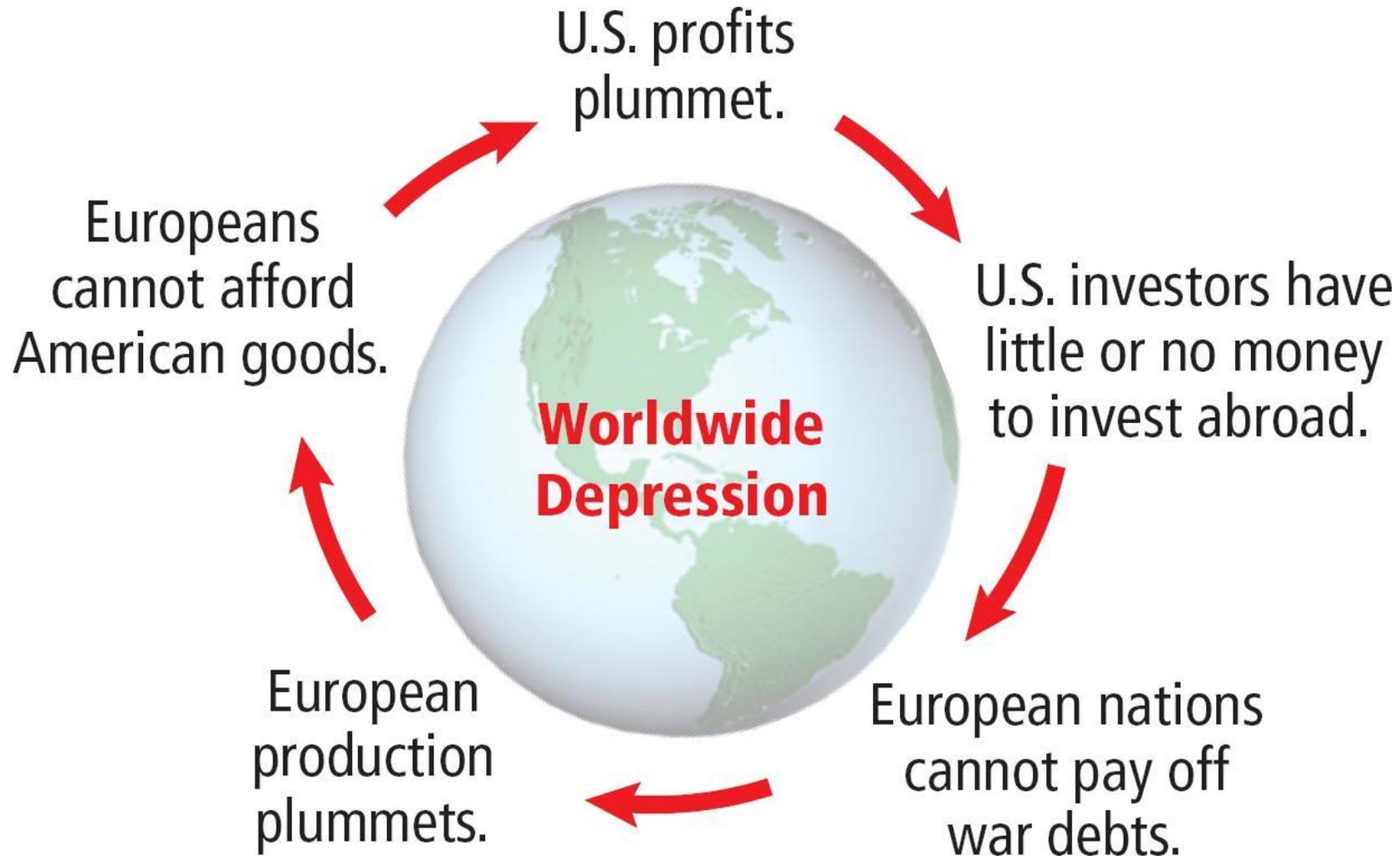


The Great Depression Begins

- Panic spread
- People rushed to withdraw \$
- Banks forced to close, unable to give depositors their \$
- Businesses closed
- Unemployment ↑



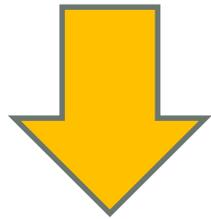
The Depression Goes Global



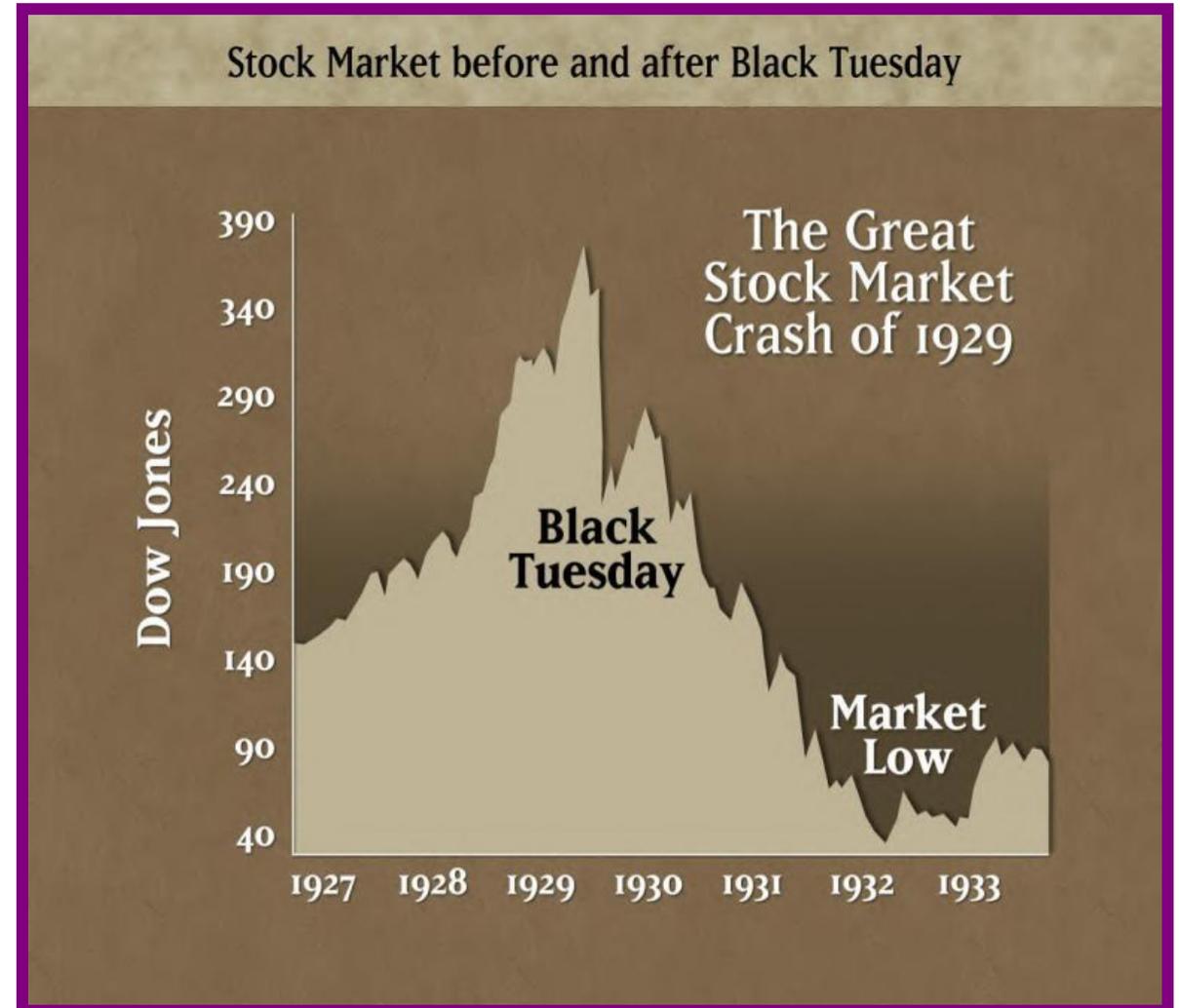
What Caused the Depression?

- **Great Crash =**

Speculation + Overproduction
+ overuse of credit



- **Great Depression =** high unemployment + uneven distribution of wealth + high amount of personal debt



SUMMARY:

These notes are about...

(1-2 sent)

(Main Idea → Use the WIN strategy!)

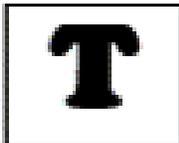
□ W.I.N. strategy:

- **WHO/WHAT** - Figure out the most important *who* or *what (topic)*
- **INFORMATION** - Figure out the most important *information* about the who or what
- **NUMBER OF WORDS** - Write the main idea using the fewest possible *number* of words

Lecture Focus Question

- How did the prosperity of the 1920s lead to the Great Depression?
- Response = 3-4 well thought out sentences minimum! (topic sentence + supporting details)

Notes Grading Rubric

Notes Color-Coded	MIS INC ✓	Brain Snack(s)	MIS INC ✓
LFQ Color-Coded	MIS INC ✓	2 x 	MIS INC ✓
LFQ Answer (3-4 sent)	MIS INC ✓	2 x 	MIS INC ✓
Summary (1-2 sent)	MIS INC ✓	2 x 	MIS INC ✓