Overview: **The Great Depression**

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The 1920s seemed a time when the United States was unbeatable, but then it all changed on October 29, 1929 when the stock market crashed. Billions of dollars and stocks were lost, and the effects were felt throughout the country. By 1932 banks were closing daily, the lines at soup kitchens were becoming longer and longer, and more Americans than ever were out of work. After the prosperous 1920’s, few people expected this and it sent the country into a tailspin. By 1933, nearly 25% of the work force was unemployed and many families split up to find jobs.

The Great Depression was a period of worldwide economic disaster. In the United States, the crash of 1929 left many people destitute. Most Americans have family stories from this period that are shared with younger family members.

##### Vocabulary List #1: The Stock Market Crash of 1929

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| **Crash of 1929** | **The period from Sept. to Nov. 1929 when the stock market dropped violently** |
| **Black Thursday** | **October 24, the day frightened investors tried to sell off all their stocks before prices fell lower/** |
| **Black Tuesday** | **October 29, 1929. This is the date of the most famous stock market crash in history.** |
| **Depression** | Period in the 30’s when business, employment, and stock values declined severely remained at a low level of activity. |
| **Economic Hysteria** | During the depression, a panic and sense of disorder experienced by stock and bank account holders afraid that their entire life savings was gone. |
| **Mortgage** | **A loan to finance the purchase of a home or farm, usually with payment periods and interest rates** |
| **Recession** | **A period of reduced or declining economic activity lasting for about a year** |
| **Recovery** | **An improvement in the economy marking the end of a recession or decline** |
| **Stock** | **A share of ownership in a company held by an individual investor** |
| **Speculation** | **A financial transaction that involves potential risks with the hope of making a profit** |
| **Stock Market** | **General term for the organized trading of stocks through exchanges and over-the-counter** |
| **Wall Street** | **Financial district in lower Manhattan; street where the NYSE, banks and brokerage houses are located** |

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| What do you currently KNOW about theGreat Depression? | What you have LEARNED about the Great Depression? |
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## Events that Caused the Great Depression

1. **War Debts:** War debts form WWI needed to be paid. WWI Veterans demand their government war bonuses.
2. **Unequal Distribution of Wealth:** The rich got richer, the poor got poorer, but people’s wages stayed the same as prices for goods soared. The top 2% of Americans earned 28% of all income; 2-3% owned stocks.
3. **Brokers Encouraged: Buy Now, Pay Later:** Many people bought expensive items (cars, radios, and stocks) “on credit.” Buying stocks from a broker “on the margin” meant that the stocks were purchased “on credit” in the hopes that stock prices would go up. Brokers encouraged this practice.
4. **Decline of World Trade:** The market for U.S. good dropped, as Europeans consumers did not have enough money to purchase American goods. Concerned that U.S. goods were not selling well in Europe, lawmakers set high tariffs/taxes on imported goods.
5. **Supply and Demand in U.S.:** Over production in industry and factories dropped in the 1920’s. Americans bought fewer items such as cars and radios because they were worried buying on credit.
6. **Farmers, Coal & Textile Workers Suffered in the 1920’s:** The 1920’s were not a prosperous period for farmers, miners, and textile workers. Prices fell throughout the 1920’s and remained low. Some farmers lost so much money they lost their farms.
7. **Weakness in Banking System:** Banks had invested heavily in stocks, so they suffered along with the small investors. Banks deposits were not insured (like FDIC today) and did not have money on hand when people came to withdraw their savings.
8. **Stock Market Crash:** The stock market reached a high point in September 1929, but on Oct. 23 the market dropped slightly. On Oct. 24 (“Black Thursday”) afraid the market would fall lower; thousands of investors sold their stocks off. Then on the Tuesday October 29, a day called, “Black Tuesday,” the market collapsed. At first, many people thought that the market would recover. Most newspapers features articles with quotes from “the experts” that led the public to believe the market would recover soon.

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