

Name: _____ Date: _____

PER!



The Great Depression

During the 1920s, big business was booming, unemployment was low, and the United States consistently sold more goods overseas than it bought, resulting in a favorable balance of trade. It appeared that prosperity was here to stay.

However, many people were still too poor to buy the new goods. Easy credit was available, but this only led to a false sense of security. If they missed payments, the items could be repossessed or their homes or farms could be foreclosed upon by the bank. Even those in the stock market were not as prosperous as they seemed. Many investors bought stocks "on margin." They only had to pay ten percent of a stock's value. As long as the prices of stock were going up, people gave little thought to the risks.

When the stock market keeps going up, it is called a "bull" market, but when it continues to drop, it is called a "bear" market. In September 1929, signs that the bull market was over began to emerge. Prices dropped but then came up again. On October 23, major stocks dropped rapidly, but banks bought up the stock to prevent a panic. However, on October 29, panic hit the market, and everyone wanted to sell their stocks. Brokers called investors to put up more margin, but they could not cover the losses, so more stocks were put up for sale. This time no one wanted to buy stocks.

As people stopped buying goods, producers started laying off workers. Banks stopped lending money and started pressuring borrowers to pay off their loans because they were afraid depositors would demand to remove their money from the banks all at the same time in a bank run. Because of a drop in prices paid for farm goods, farmers could not afford the costs of seed, equipment, and transportation. Unemployment increased from 3 million in 1929 to 13 million in 1932.

President Herbert Hoover encouraged businesses to spend more instead of cutting wages, and he urged labor unions to avoid strikes. Hoover and Congress also tried to help farmers by buying farm products in exchange for decreased production and to help businesses by giving them loans, but participation was voluntary, and the programs failed.

In 1932, Franklin D. Roosevelt was elected president, and he promised a "New Deal" for the American people. In the first 104 days after his inauguration on March 4, 1933, FDR moved quickly to deal with the depression. His first action was to close all banks until their records could be examined. The weak banks were closed permanently, and he assured people their money would be safe in the banks that reopened.

Fifteen pieces of legislation were passed during the "Hundred Days," creating many new agencies to regulate and stimulate the economy. The Civilian Conservation Corps (CCC) employed 300,000 men to work on conservation projects. The Civil Works Administration (CWA) also put the unemployed to work, and the Federal Emergency Relief Administration (FERA) gave out government grants. The Securities and Exchange Commission (SEC) began to reform the stock market, and the Federal Deposit Insurance Corporation (FDIC) dealt with problems in the banking system.

Although these programs did not end the Great Depression, they helped many people and established the precedent for the federal government to become involved in the American economy to a much greater degree than it had before. The depression was finally relieved when military and private spending increased during World War II.

PER:

Name: _____ Date: _____



The Great Depression Hidden Message Puzzle

Use the clues below to fill in the blanks at the right. When you are finished, read the letters in the circled blanks to find the phrase used to describe a period when stock prices continue to go down.

1. When a country sells more than it buys, it has a _____ balance of trade. _____
2. In a "_____" market, stock prices keep going up. (O) _____
3. Easy _____ can lead to a false sense of security. _____ (O) _____
4. Banks stopped _____ money. _____
5. This hit the stock market on October 29, 1929. (O) _____
6. When depositors all want their money at the same time (two words) _____ (O) _____
7. When investors buy stocks on _____, they only have to pay a percentage of the price. (O) _____
8. These people could not afford the costs of seed, equipment, or transportation. (O) _____
9. What Franklin D. Roosevelt promised the American people (two words) _____
10. Banks were closed until their _____ could be examined. _____ (O) _____
11. The Civil _____ Administration put unemployed people to work. _____ (O) _____
12. During this period, 15 pieces of legislation were passed. (two words) _____ (O) _____
13. What the "E" in SEC stands for _____
14. FERA gave out government _____. _____ (O) _____
15. What finally ended the Great Depression (three words) _____