

11.6.2

The Great Depression Begins, 1929 – 1932

The stock market crash set off a chain reaction of economic failures that impacted the entire nation. Few government officials, including President Hoover, initially recognized the severity of the Depression. Public works projects and relief act came too late to prevent the tidal wave of business failures and unemployment from devastating the nation.

This is a series of events that contributed to the start of the Great Depression. Each event leads to the next event.

**DIRECTIONS:** Insert the terms in the correct box (these are in chronological order) then put the correct definition that goes with the term.

Term	Contribution to the start of the Great Depression
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## **The Great Depression Begins, 1929 – 1932**

- Bank Failures
  - Bank Runs
  - Bull Market
  - Hoovervilles
  - Lack of Corporate Credit
  - Mass Layoffs
  - Speculation
  - Stock Market Crash
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- ✓ Banks broke down when they could not fulfill all withdrawal demands. News of one bank failure caused depositors at other banks to panic and make a run, repeating the cycle of bank failure.
  - ✓ Buyers made risky stock purchases without regard to a company's earnings and profits. They were betting on the continuation of the bull market.
  - ✓ Enticed buyers to buy on margin and pushed up prices without regard to value.
  - ✓ Once professional investors sensed stocks were overpriced and began selling, panic selling and margin calls followed. By mid-November, stock prices had dropped by over one-third.
  - ✓ One business failure impacted all related businesses. Consumption fell as workers lost jobs, continuing the cycle of manufacturing slowdowns, business failures, and layoffs.
  - ✓ Speculators could not repay loans to banks. Banks did not have cash reserves to fulfill withdrawal demands when nervous depositors rushed to withdraw all their money.
  - ✓ The banks that fell left corporations unable to obtain loans to continue paying business expenses. Unable to pay debts or payroll, corporations had to layoff workers.
  - ✓ The unemployed faced foreclosure and eviction. The newly homeless formed shantytown communities named after President Hoover, whom they blamed for their plight.