Name: ______________________________

Causes of the Great Depression Notes #1

Knowledge Check:
Place the historical eras in the correct chronological order.

1. ____
2. ____
3. ____
4. ____
5. ____

Herbert Hoover

- Becomes President in 1929

"I have no fears for the future of our country. It is bright with hope…"

Roaring 20s Recap

- New consumer goods
  - ____________________________
- ***Buying on credit*** = ______________________
  - ***BAD IDEA***
  - Makes stocks seem more ___________________________ than they actually are

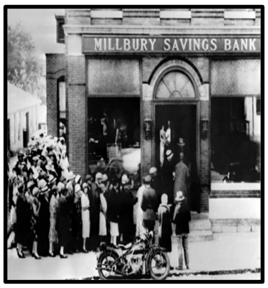
The Stock Market Crash

- On Thursday, October 24th, the stock market begins to decline
- Bankers tried to __________________________ the decline by buying _____________________, but they were able to only delay the drop

Effect on the Depression:

- Five days later on October 29, 1929, **Black _____________________, the stock market crashed**
- **As stock prices dropped, people ____________________ their stock - some lost everything**

<table>
<tr>
<td>Speculation
</td>
<td>● Speculation: ______________________ investments (purchasing stocks) with the hopes of getting rich quick
● In the 1920s, many people bought stocks in hoping to “get rich quick”
    ○ Drove stock prices even ______________________________
● Buying on margin: borrowing money
    ○ In 1920s, stocks could be purchased for a 10% down-payment, called margin
    ○ Rest of the price was financed by a ________________ from a stock _______________________ → similar to making a purchase on installment plan
    ○ The purchaser was responsible for the rest of price whether stock market prices dropped or rose
● ____________ into the future ___________________ it will be good</td>
</tr>
<tr>
<td>The Stock Market
</td>
<td>1. You can buy a part (or stock) in a company
2. When company does ___________________, stock price goes _______
3. Sell your stocks to make money</td>
</tr>
<tr>
<td>High Tariffs
</td>
<td>● Tariff: a tax on __________________ goods (from another country)
● HIGH tariffs RAISE the price of foreign goods, LESS trade
    ○ Example: Smoot-Hawley Tariff
● We stop buying other countries’ products, then they stop buying ours
● Decline in trade leads to a ____________________ of money
● The shrinking of _________________________________ contributed to the Great Depression</td>
</tr>
</table>

Overproduction of Goods 	● Economic Boom of 20s → consumerism & buying on credit ● Businesses produce ____________________ goods than they can ____________________ ● Farmers didn't benefit from the Roaring 20s (they kept farming as they did in ***WWI***)
Monetary ($$) Policy & Bank Failures  	● The Federal Reserve ________________________ the amount of money ________________________ ● Banks generally collect money from depositors and then invest these funds in businesses ○ **Enables them to earn money to pay ____________________ on deposits** ● Harder to receive loans → ***bank failures*** ● **Banks use *YOUR* money to give other people loans** ● When everyone tries to take their money out, the bank does ***NOT*** have enough ● Banks ***shut down*** and people ***lost*** money that was saved in the banks
High Unemployment  	● Businesses start going under (____________________________) → causes a snowball effect