

The Great Depression

Section 1



MAIN IDEAS

1. The U.S. stock market crashed in 1929.
2. The economy collapsed after the stock market crash.
3. Many Americans were dissatisfied with Hoover's reaction to economic conditions.
4. Roosevelt defeated Hoover in the election of 1932.

Key Terms and People

buying on margin purchasing stocks with borrowed money

Black Tuesday Tuesday, October 29, 1929, the day of the stock market crash

business cycle up-and-down pattern of business production and unemployment

Great Depression severe, economic depression that followed the stock crash of 1929

Bonus Army unemployed World War I veterans who camped in Washington D.C. to demand early payment of military bonuses

Franklin D. Roosevelt New York governor elected president in the 1932 election

Academic Vocabulary

implement put in place

Section Summary

THE STOCK MARKET CRASHES

During the 1920s, stock prices rose rapidly. Many people bought stocks by **buying on margin**, hoping to sell them later at a large profit. In 1929 stock prices began to drop. Frightened investors sold stocks to pay off their loans, but there were few buyers. On October 29, known as **Black Tuesday**, the stock market crashed. Investors lost everything.

THE ECONOMY COLLAPSES

The stock crash caused a banking crisis as banks lost their investments. People tried to withdraw all of their deposits and many banks went out of business. This crisis contributed to losses by businesses, which then needed fewer workers.

Why did many banks go out of business after the stock market crash?

Section 1, continued

Normally when businesses produce more than they can sell, they have to cut back production. As people are laid off, the demand for goods drops. This can cause a severe recession called a depression. When the economy bounces back, more people are hired, and demand increases. This pattern of ups and downs in the economy is called a **business cycle**.

The economy was slow to recover after the crash in 1929. This period, the **Great Depression**, had several causes. One was overproduction of goods as the market was shrinking. Other factors were the uneven division of wealth and limited world trade.

HOOVER'S REACTION

President Hoover knew that people needed help. He did not believe, however, that it was the role of the federal government to provide direct relief. He did **implement** some new programs to help banks and other institutions recover.

In 1932 the **Bonus Army** camped in Washington, D.C. These veterans wanted early payment of military bonuses. Hoover sent U.S. troops to evict them. When several people were killed, the public was outraged.

ELECTION OF 1932

The Republican Party nominated Herbert Hoover again in 1932. However, much of the public had lost confidence in him. The Democratic nominee was **Franklin D. Roosevelt**. As governor, he had worked to provide aid to citizens of New York. In particular, he had provided aid to farmers. Roosevelt promised a “new deal” for the American people. He won the election in a landslide.

CHALLENGE ACTIVITY

Critical Thinking: Making Judgments Do you think the American people were justified in blaming Herbert Hoover for the Great Depression? Write a paragraph to explain your position.

What normally happens in the business cycle after a recession?

Underline the sentence that explains why President Hoover did not implement relief programs to help people who were struggling.

Why did people believe Roosevelt would keep his promise to provide aid?

Section 1, *continued*

buying on margin	business cycle	Bonus Army
Black Tuesday	Great Depression	Franklin D. Roosevelt

DIRECTIONS On the line provided before each statement, write **T** if a statement is true and **F** if a statement is false. If the statement is false, write the correct term on the line after each sentence that makes the sentence a true statement.

- _____ 1. The up-and-down pattern of the economy is known as the Great Depression.

- _____ 2. When an investor bought stocks with borrowed money, that person was buying on margin.

- _____ 3. In contrast to Herbert Hoover, the Bonus Army provided aid to Americans who were suffering from the Great Depression.

- _____ 4. The stock market crash on October 29, 1929, became known as the business cycle.

- _____ 5. The economic downturn following the stock market crash in 1929 was called the Great Depression because of its severity and length.

- _____ 6. The Bonus Army lived in a Hooverville in Washington, D.C.
