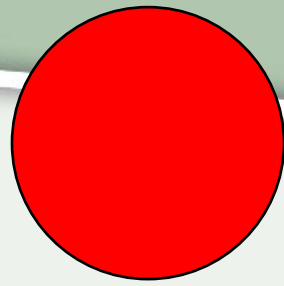




The Great Depression

PDN



Enduring Understanding:

The Great Depression was caused by high interest rates, the stock market crash, decreased production, and bank panics.

Essential Questions:

1. What factors contributed to the Great Depression?
2. What measures did the Federal Reserve take to stabilize the banking system?

Objectives

- Identify the factors that contributed to the Great Depression
- Analyze how Western Society and culture changed after World War I
- Summarize the domestic and foreign policy issues that the Western democracies faced after World War I

The Great Depression

- The Federal Reserve ***increased*** interest rates as a result of the stock market boom in 1928-1929
- Capital spending (ex. Equipment, supplies) ***declined***, leading to a drop in industrial production and output growth
- The stock market finally ***crashed*** on October 29, 1929, which became known as “Black Tuesday”
- Four bank panics occurred between 1930-1933, leading customers to ***lose*** confidence in the bank.



The Great Depression

- Effects of bank panics: money supply fell, deflation set in, interest rates soared
- Borrower's debt increased, contributing to defaults and bankruptcies and consumer and business investment



Factors of the Great Depression

- High Unemployment
- Inflation – purchasing power goes down
 - Ex. Candy Bar used to be \$1.00 now costs \$2.00
- Bread Lines – people lined up for free food
- Homelessness – people lived in homeless camps/villages, on the street, etc.



Example of a Great Depression Bread Line





Homeless villages were known as “Hoovervilles”
(named after President Herbert Hoover)





WEST HAZLETON "HOOVERVILLE" 2017-2018



The Fed's Response

- Policy actions created deposit insurance, which helped ***stabilize*** the banking system and economy
- Reserve requirements for banks ***increased***, which meant banks had more cash on hand for lending
- Economy ***rebounded*** by 1939, but unemployment continued to ***grow*** until the U.S. entered World War II in 1941

Have you ever seen this sign at a bank? FDIC was created because of the Great Depression!

