

The Great Depression

1929-1933

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Introduction

In the late 1920s, the U.S. economy was strong. Many companies were growing and earning money. People bought shares of the companies, called stock. The stocks were traded and bought in the Stock Market.

On October 24, 1929, stock values dropped or became worthless rapidly. This started the most severe economic depression in U.S. history—the Great Depression. Today, that day is still remembered as Black Thursday.

Black Thursday

In the late 1920s, prices in the stock market soared up, becoming very valuable. For example, in 1928, the price of a common share of the Dupont stock went from \$310 to \$525. The rising stock values encouraged people to buy stocks in hope of making large profits when the stock exchange increased in the future. Even though experts predicted that the stock prices might fall, people didn't listen. So many investors threw their money into the stock exchange that the plan backfired. Instead of increasing in value, the share prices crashed, becoming worthless. When the stock market crashed on Black Thursday millions of people lost all of their money.

Effects on People

The Great Depression affected not only the rich and middle class investors, but also the people who hadn't invested, as well. Banks and businesses had also bought stocks, and many lost so much money that they had to close. Between January 1930 and March 1933, about 9,000 banks failed. The bank failures wiped out the savings of millions of people.



Figure 1 Families in Dismay

Effects on Prices

All over the country, American families had nothing. They had no paying jobs and almost no money. Today, you probably think that 5 cents is nothing to pay for a loaf of bread, but during the hardest years of the depression you were lucky if you were able to buy a loaf of bread without selling something you already owned to raise enough money. Today, kids have houses

full of toys. In 1932 you were considered very rich if you could afford a two-wheeled bike that cost \$10.95. In fact, most kids didn't have any toys at all because their parents had to choose between whether to buy food or toys—they couldn't buy both.



Figure 2 Struggling Main Street

The Recovery

In 1932, Franklin D. Roosevelt beat Herbert Hoover in the presidential election. When the problem of the depression was brought to his attention, he went into action. In his inaugural address he said, “The only thing we have to fear is fear itself!”

The New Deal

With this in people’s minds, he started the New Deal.¹ The New Deal was a program that made laws to try to help America recover from the ongoing depression. The laws made by the New Deal had three main purposes. First, they provided relief for the needy. Second, they aided the recovery by providing jobs. Third, the laws tried to change business and government so that such a devastating depression would never happen in the U.S. again. Congress created several agencies to manage relief programs. For example, the Civilian Conservation Corps (CCC) established in 1933, employed thousands of young men in conservation projects around the country.



Figure 3 Recovery in Sight

Recovery

Programs like this in the New Deal led by President Roosevelt helped the U.S. recover from the worst depression in its history in 1933. Although the Great Depression was the most severe, there have been others, including one in 1990. But don't worry—experts believe that there won't be another depression like the Great Depression again—at least not for a very long time.

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ⁱ "New Deal." *West's Encyclopedia of American Law*. 2005. Encyclopedia.com. 9 Jun. 2009
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