

CAUSES OF THE GREAT DEPRESSION

https://www.ducksters.com/history/us_1900s/causes_of_the_great_depression.php



greatdepressioncauses.mp3

What caused the Great Depression?

There wasn't one event or a single factor that caused the Great Depression. It took a number of conditions all happening at once to make the economy go so bad. We'll take a look at some of the major factors below.

Stock Market Crash

The start of the Great Depression is usually considered the Stock Market Crash of 1929. The market crashed from "over speculation." This is when [stocks](#) become worth a lot more than the actual value of the company. People were buying stocks on credit from the banks, but the rise in the market wasn't based on reality.

When the economy began to slow, stocks began to fall. In October of 1929, people panicked and began selling stocks like crazy. The stock market crashed and many people lost everything. Although the stock market crash wasn't the only cause for the Great Depression, it certainly helped to get it started.

Farmers Struggle

Farmers had been having a tough time for much of the 1920s before the Great Depression started. With new machinery, farmers were growing more crops than ever before. However, this caused prices to drop so low that they couldn't make any profit.

When the Great Depression hit, things got even worse for farmers. In the Midwest, a drought started that would last until 1939. With no rainfall, the soil turned to dust. Many farmers couldn't pay their bills and lost their farms. They migrated to California hoping to find work.

People Borrowing Too Much

In the 1920s, there were lots of new products available like automobiles, washing machines, and radios. Advertising convinced people that everyone could afford these items by borrowing money. As a result, many people went into debt buying products they couldn't afford. When the economy went bad, many families couldn't make their payments.

Too Many Goods

In the 1920s, the economy was booming. Companies built new factories and hired more workers. Soon companies were making more products than they could sell. When the

CAUSES OF THE GREAT DEPRESSION

https://www.ducksters.com/history/us_1900s/causes_of_the_great_depression.php

Great Depression started, companies had to lay off workers and halt production. This had a negative affect across the entire economy.

Banks and Money

One of the major factors that led to the Great Depression was the failure of the [banking system](#). In the first few years of the Great Depression, over 10,000 banks failed. Many people lost their life savings. Some people went from being rich to having nothing. The U.S. government did little at the time to help the banks survive.

World Debt and Trade

The entire world economy was struggling at the time of the Great Depression. The U.S. had loaned billions of dollars to its allies recovering from World War I. As these countries struggled, they could not pay back the U.S.

A new law called the Smoot-Hawley Tariff Act was passed in 1930. It placed high tariffs (taxes) on imports. This hampered trade with other countries and helped to slow down the economy.

Interesting Facts About the Causes of the Great Depression

- Economists still study (and argue) over exactly what caused the Great Depression.
- In the 1920s, people began to buy goods using a type of credit called an "installment plan." Prior to the 1920s, people rarely bought goods on credit.
- Many American banks and businesses were unregulated and used poor business and accounting practices.
- Much of the wealth of the United States was concentrated in the hands of a few people during the 1920s.

Activities

- Take a ten question [quiz](#) about this page.



CAUSES OF THE GREAT DEPRESSION

https://www.ducksters.com/history/us_1900s/causes_of_the_great_depression.php

Test Quiz

Questions on this quiz are based on information from
[The Great Depression - Causes.](#)

1. What event is generally considered to be the start of the Great Depression?
 - a. Dust bowl
 - b. Prohibition
 - c. New Deal
 - d. Stock market crash
 - e. Bonus Army March

2. What month did the stock market crash?
 - a. January
 - b. October
 - c. April
 - d. March
 - e. December

3. What law passed in 1930 hurt trade with other countries?
 - a. Smoot-Hawley Tariff Act
 - b. Stamp Act
 - c. Homestead Act
 - d. Sherman Antitrust Act
 - e. Social Security Act

4. According to the article, what happened in the Midwest during the Great Depression to cause many farmers to lose their crops?
 - a. Floods
 - b. Drought
 - c. Fires
 - d. Tornadoes
 - e. Hurricanes

5. What caused prices to drop for farmers?
 - a. Oversupply
 - b. Undersupply
 - c. High demand
 - d. All of the above
 - e. None of the above

6. True or False: Many people went into debt buying new products like washing machines and cars.
 - a. TRUE
 - b. FALSE

CAUSES OF THE GREAT DEPRESSION

https://www.ducksters.com/history/us_1900s/causes_of_the_great_depression.php

7. What major industry failed, helping to cause the Great Depression?
 - a. Oil
 - b. Construction
 - c. Entertainment
 - d. Banking
 - e. Railroad

8. Before the Great Depression, the United States loaned out money to help its allies from what war?
 - a. Civil War
 - b. War of 1812
 - c. World War I
 - d. War of Independence
 - e. Mexican-American War

9. What type of credit did people use to buy items in the 1920s?
 - a. Debit Card
 - b. Installment plan
 - c. Student loans
 - d. Mortgages
 - e. Credit Card

10. According to the article, how many banks failed over the first few years of the Great Depression?
 - a. 50
 - b. 200
 - c. 500
 - d. 2000
 - e. Over 10,000