The Great Depression Begins

Part A: Multiple Choice: Instructions: Choose the option that answers the question or completes the sentence.

1. In the 1920s, many lived beyond their means using ___________________.
   a. stocks
   b. credit
   c. the Dow Jones Industry Average
   d. speculation

2. When the stock market has rising prices for stocks and the investors are making profits off their stocks, then there is a ________________ Market.
   a. Bull
   b. Bear
   c. Speculation
   d. Margin

3. What option below explains why there were many customers for American farmers directly after World War I?
   a. The McNary-Haugen Bill helped pay for the farmer’s crops.
   b. Europe was devastated after World War I and needed the USA.
   c. The Treaty of Versailles opened up markets between Germany and the USA.
   d. All of the above.

4. Why is “buying on margin” a very risky practice?
   a. In this practice, an investor has too much money invested in farming.
   b. In this practice, an investor may not be able to pay back the money he or she borrowed.
   c. In this practice, an investor has too much money invested in banks that were vulnerable to fail.
   d. None of the above.

5. By the 1930s, what percentage of the work force became unemployed?
   a. 75%
   b. 45%
   c. 15%
   d. 25%

Part B: Short Answer: Instructions: Answer the question below.

1. There were many factors that led to the Great Depression. What were some of these factors?
   ___________________________________________________________
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**Part B: Short Answer: Instructions:** Answer the question below.

1. There were many factors that led to the Great Depression. What were some of these factors?
   There were many factors that contributed to the Great Depression. For instance, American farmers had become dependent on European markets devastated by WW I. When Europe recovered, the farmers lost these customers and could not sell their surplus. Farmers fell behind on loan payments and the banks foreclosed on them and seized their farms. The banks became weaker as a result. Many Americans were also consumed with debt and started buying less. Many stock holders were borrowing money to buy stocks, which is called buying on margin. Businesses became weak and the investors were not making profits, which meant they could not pay back their loans they took out to buy on margin. This also damaged banks. On October 29th, 1929, the stock market crashed. By the 1930s, thousands of banks had failed and many people who had money in the banks lost everything. Factors like these helped start the Great Depression.