

Chapter 12 – Section 2



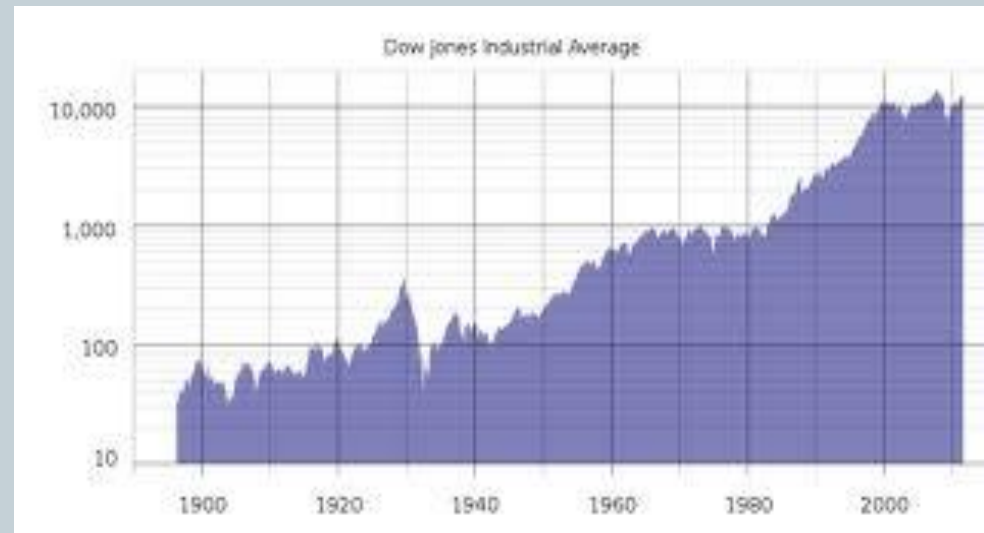
THE STOCK MARKET CRASH



Dow Jones Industrial Average



- The **average of stock prices** of major industries
- By Sept. of **1929** it reached an **all-time high** of 381



Black Tuesday



- **October 29, 1929**
- **After stock prices started to decline people panicked and sold all their shares before they were worth nothing**



The Great Crash



- **As a result of everyone pulling out of the stock market it completely collapsed losing \$30 billion**



Why such a big deal?



- **Brought to a sudden end the economic expansion of the 1920's**
- **Began the Great Depression**



Effect on Middle and Upper class families



- They **had invested everything** hoping to make millions, but **instead lost all their life savings**



The Great Depression



- **The name given to the severe economic decline that lasted from 1929 until the U.S. entered WWII in 1941**



Factory Closings



- **Millions of people took major pay cuts or lost their jobs**



Unemployment by 1932



- 12 million
- **25% of workforce (1 in 4 people)**
- Unlike today, U.S. **had no unemployment insurance so you were on your own**



The Gross National Product (GNP)



- **The total value of all goods and services a country produces annually**
- Went from \$103 billion in 1929 to \$56 billion in 1933
- **Cut in half!**



How did the effects of the Crash spread?



- Restaurants and other **small businesses closed** because **people couldn't afford anything**
- Once wealthy families let household workers go
- **Already low farm prices went even lower**



Bank Crisis



- **Thousands of banks closed because everyone rushed to take their money out**
- **Banks didn't have it since they had loaned it out**
- **Money from 9 million savings accounts vanished**



Effect on World Economy



- Europeans relied on reparations from Germany to pay their loans back to U.S.
- We stopped investing in German companies
- Germany couldn't pay reparations
- **Europeans couldn't pay us back**



*5 Effects of the Great Depression



- 1. Millions of workers lose their jobs**
- 2. GNP falls dramatically**
- 3. Many banks fail**
- 4. Increased poverty leads to health and social problems**
- 5. Global economy suffers**

