

The Great Depression Begins

1. Adjective
2. Noun

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After the Roaring 20s, troubling weaknesses ultimately lead to the _____ of the 30s.

Basic industries such as textiles, steel, railroads, and coal mining faced competition. Even the construction of houses declined by nearly 25% between 1925 and 1929. When housing began to decline, so did other businesses that depended on construction. After World War I, demand and prices for crops fell. Costs declined by at least 50%. To make up for the drop in prices, farmers tried to increase production to sell more. Eventually, farmers went into debt because this only depressed prices further. Farmers who had gone into debt had a hard time paying off their loans, so banks went.. bankrupt. A proposal intended to help called for federal price supports, which was the support of certain price levels at or above market values by the government for key products. This bill was passed twice, but it never worked. By the late 1920s, there were unbalanced distribution of income, overbuying on credit, and a large gap between the rich and the poor. Although many Americans appeared prosperous during the 1920s, but they were living off of credit. During the 1920s, nearly half the nation's families earned less than \$1,500 per year, which was considered the minimum amount needed for a decent standard of living at that time. In contrast, rich Americans did very well. Through most of the 1920s, stock prices rose steadily. Eager to take advantage of rising stock prices, many Americans rushed to buy stocks. More and more investors were engaging in speculation, meaning they bought stocks on the chance they might make a quick or large profit, ignoring the risks. Furthermore, they also began buying on margin, where they paid a small percentage of a stock's price as a down payment and borrowed the rest. With stockbrokers willing to lend buyers up to 75% of a stock's price, buying on margin nearly became the rule. This system worked as long as investors sold their inflated stocks to pay

off their debt. But if the market crashed, there was no way to pay off the loan.