

OVERPRODUCTION

Causes:

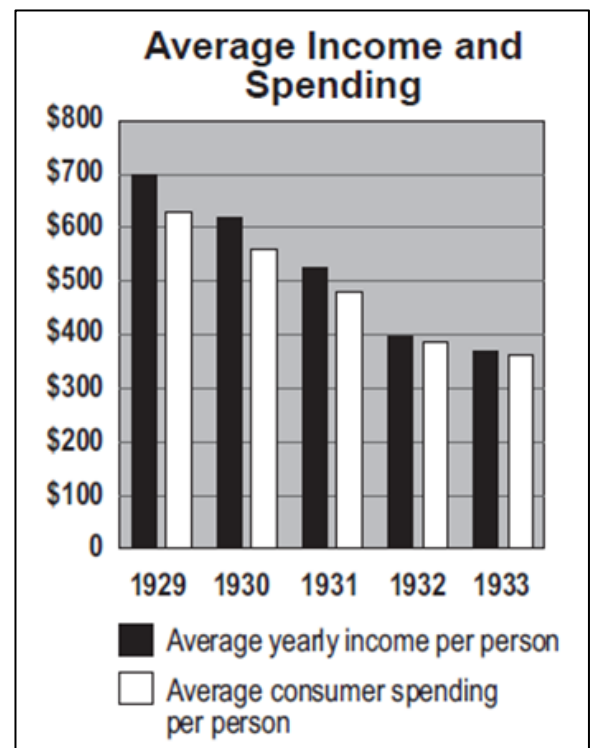
Among the main causes of the Great Depression was overproduction. American farms and factories had expanded during World War One. Soon though, America and the rest of the world did not need as many things and farmers



and industry were left with many leftovers. Another cause of the surplus was the fact that many people did not have enough money to spend on products because the wages of both farmers and factory workers were not increasing. Many families were forced to get by on only the necessities and buying new products became only a dream.

Effects:

As is always the case with overproduction, prices began to fall on many factory and farm made goods. Factories were, in turn, forced to lay off workers to save money. This increase in unemployment led to a decrease in spending which led to even more businesses struggling. On farms across the country, farmers were unable to spend money, pay their bills, or support their families.



STOCK MARKET CRASH

Causes:

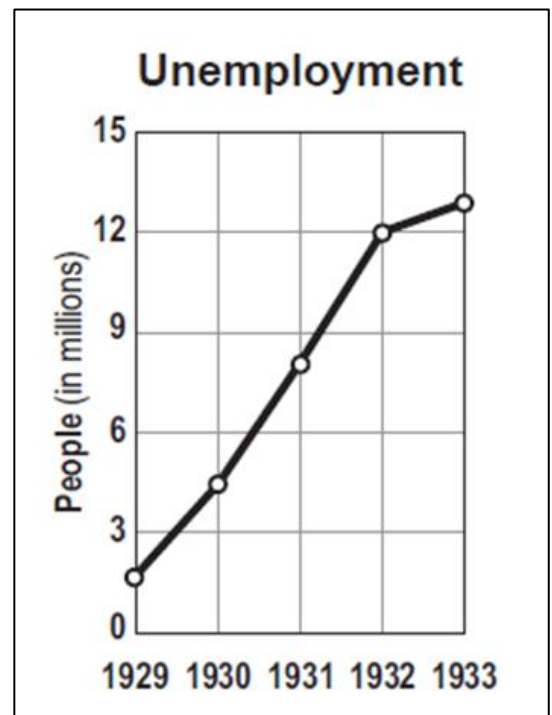
One reason for the collapse of the Stock Market in 1929 was fear. The moment a few wealth investors began to sell their stocks, many people around them got nervous and sold theirs. With stock prices falling, the fear of losing all of their



money then drove almost everyone to try and sell their stocks as quickly as possible. Another cause of the Crash was On Margin. Companies demanded that shareholders pay the 90% they owed from buying their stocks this way. If you couldn't pay, you were forced to sell your stocks at a discount to pay off your debt. With everyone selling and no one buying stock prices fell to almost nothing.

Effects:

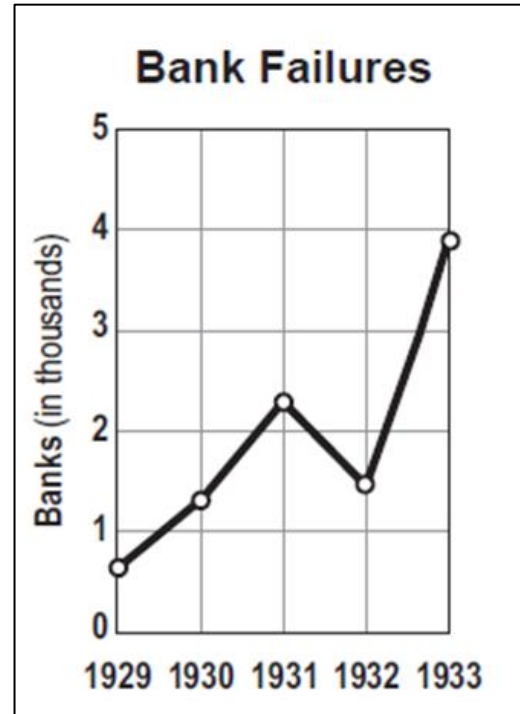
The effects of the crash reached every part of America. Many citizens lost everything overnight. As a result of this, they weren't able to spend money, pay their bills, or support their families. Also, with businesses losing money this way, the Crash forced many companies to lay off much of their workforce. Almost overnight, the unemployment rate in America began to rise dramatically.



BANKING CRISIS

Causes:

Another cause of the Great Depression was the weakness in the banking system. Because there were a great many people not paying back their loans, banks were closing. Farmers, because of falling prices, were the first group that could not repay their bank loans. They had borrowed millions during WWI and by 1929 could not repay what they owed. Also stock holders, because of the Stock Market Crash, were not paying back the banks. Many had lost everything they owned and could not pay off their debts at the



bank. As the decade of the 30's went on, the increasing number of unemployed people also could not pay back their loans. Fear also increased the number of bank closings. As more and more banks closed, citizens withdrew all of their money, causing even more banks to close. By 1933, banks were closing at a rate of 12 per day across the country.

Effects:

Bank closings affected America greatly. Many people lost everything when the bank closed and were now unable to spend money to help the economy. Another effect of bank closings was the fact that businesses couldn't expand. Without banks to give out loans, businesses couldn't grow and build. Almost immediately the bank closings began to increase the already growing number of unemployed people in America.

A Wise Economist Asks a Question



A WORLD WIDE DEPRESSION

Causes:

During the 1930's, America was not the only nation in the world going through an economic crisis. Many nations were still carrying a huge debt from World War One. Across Europe and Asia, unemployment and homeless rates were on the rise. To make matters worse, because of the growing unemployment rate in the United States, many Americans were unable to afford to buy foreign made goods. Foreign companies struggled and were forced to lay off workers.

Effects:

With foreign nations struggling and unemployment on the rise, the amount of American made goods being sold overseas dropped dramatically. Unfortunately, because of the spreading Depression, many countries turned to powerful dictators to lead them out of the Depression. Adolf Hitler in Germany and Benito Mussolini in Italy believed that war and aggression were the best ways to create jobs and they created large, powerful armies that swept across Europe and Africa spreading war and death.



On the left, Italian dictator Benito Mussolini stands and reviews his troops as German dictator Adolf Hitler (right) looks on.

1 The
Stock
Market
Crash

Causes of
the Great
Depression

2 The
Banking
Failure

3

The
Worldwide
Economic
Situation

4

Overproduction

Causes of
the Great
Depression

5

Similarities