

Redraw the Cycle of Prosperity - and review it so that you will be able to explain it.

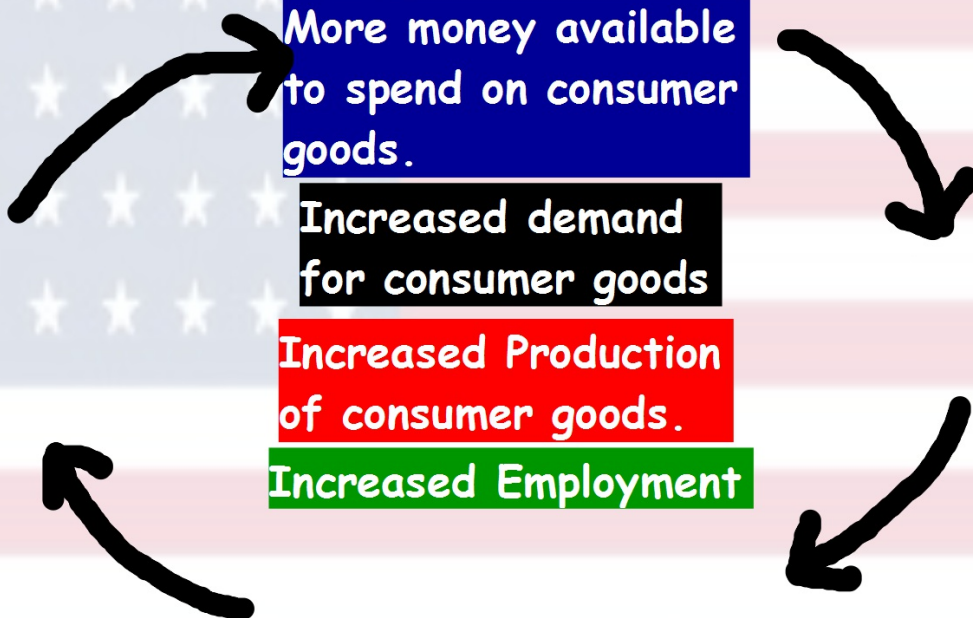



More money available to spend on consumer goods.

Increased demand for consumer goods


Increased Production of consumer goods.

Increased Employment





## US in Depression 1929-33: Chapter 1 and 2: The Crash Cometh



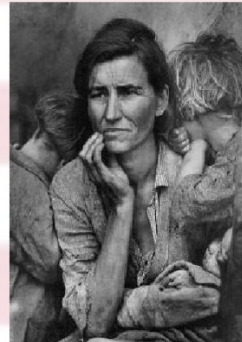
By the end of this sequence of lessons I want you to have made the following "Learning Gain":

"To have a secure understanding of the causes and consequences of the economic depression in the 1930s."

### Learning Steps:



- to understand that there was underlining issues with the economy in the 1920s.
- to be able to explain the 4 main causes of the CRASH.
- to have a good understanding of how the Wall St. Crash happened.





Task

Glue in and evidence your SOLO Progress sheet on the Wall Street Crash.



Do not forget to keep evidencing your progress.



### *Reflect and Connect*

What economic problems are you aware of or can make an educated guess at that existed in the 1920s?



Based upon your work in previous module - answer the question above giving examples.

You have five minutes to complete your task - you limey learners!



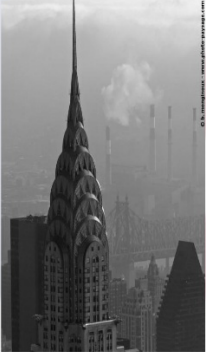
Five Mins

Remember:





# Problems



**Main**



**Statement:**

During the 1920s the US Economy appeared strong and healthy but there was some serious weaknesses.

These were the long term causes of the Depression.



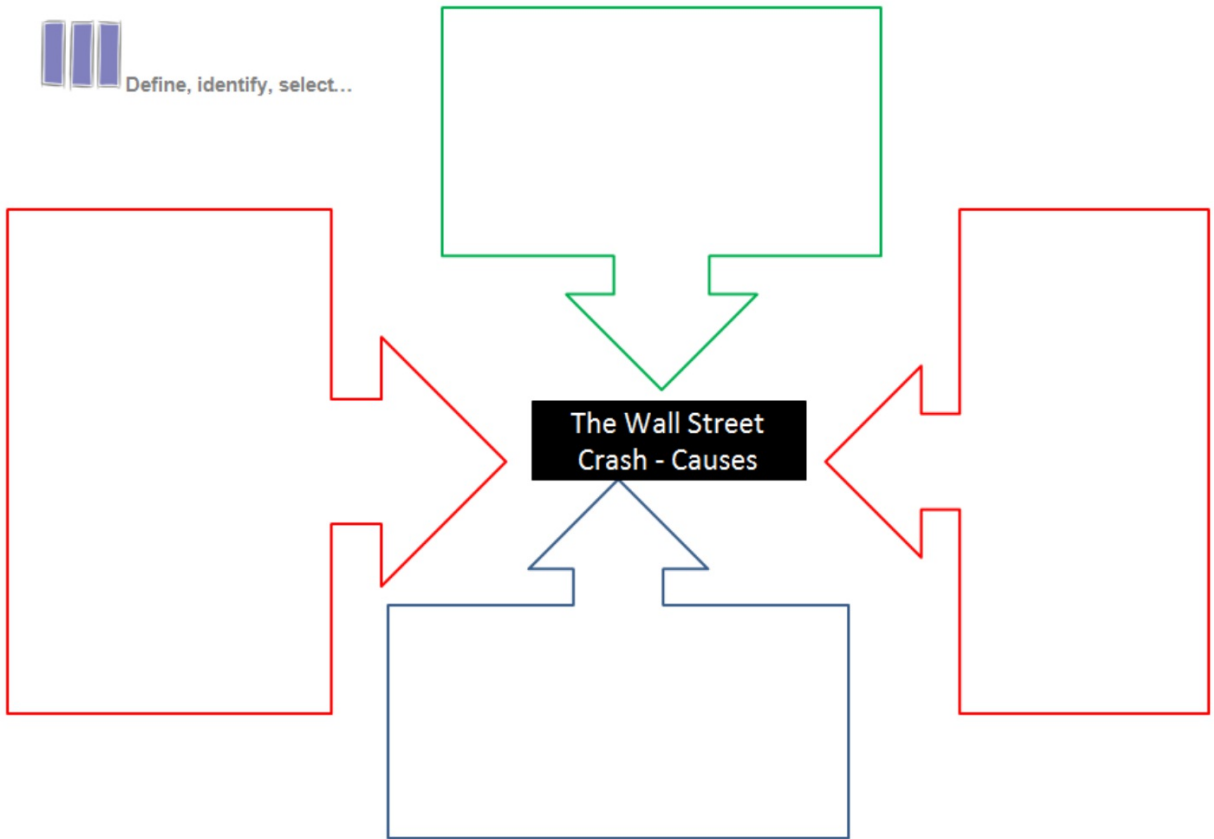
Who is this?

What is an analogy?

Whats the analogy?



Define, identify, select...



## Main



### Cause 1: Overproduction.

Mass production meant that goods could be produced in large amounts.



However the market was becoming saturated. Once Americans had bought vacuum cleaners and radios etc the demand for these goods fell.

Factories were forced to produce fewer goods, which led to people being made unemployed and this led to less people being able to afford goods - building a downward spiral.




**Main**



## Cause 2: Unequal Distribution of Wealth

The fall in consumer demand was also due to millions of Americans not being able to afford the new consumer goods.

Even during the boom years more than half of Americans lived below the poverty line. 



What stinking boom?! I never saw no stinking Jazz Age or any stinking roaring nothing! Just stinking menial work innit!!!!

Worst effected were farmers, farm workers, black workers and new immigrants. For these people there had never been a boom.



Main



### Cause 3: Protectionism and Tariffs

One way of selling surplus goods created by a fall in demand is to sell them abroad.

## The Fortune Teller of History...woaaaahhh!!

*Reflect and Connect*  
Why would the USA find it hard to find new foreign markets?



Based upon your work in the last module which examined the US Economy 1919-29 write 30 words which predicts what you think the answer to the question is...



Three Mins



You have three minutes to complete your task - you limey learners!



### Cause 3: Protectionism and Tariffs

When the Americans put tariffs on foreign imports in the 1920s, foreign governments did the same.

This meant that it became very difficult to sell their manufactured goods abroad.


This made the reduced demand in consumer goods worse.

### Cause 4: Financial Speculation

The reduced demand for consumer goods led to confidence in the economic future being shaken.

Confidence is vitally **IMPORTANT** to the stock market - when people are confident - a Bullish market - prices go up. When confidence is low prices fall and you have Bearish market.



People also used credit in the 1920s to buy shares thinking they would pay off their debts from the expected profit - speculating. 



In 1928 due to falling demand for consumer goods, businesses made less profit and their stock price did not rise as much as in previous years.

This made investors nervous and they began to sell their shares - this led to further falls in prices as the market became more Bearish

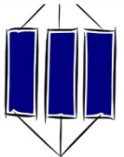
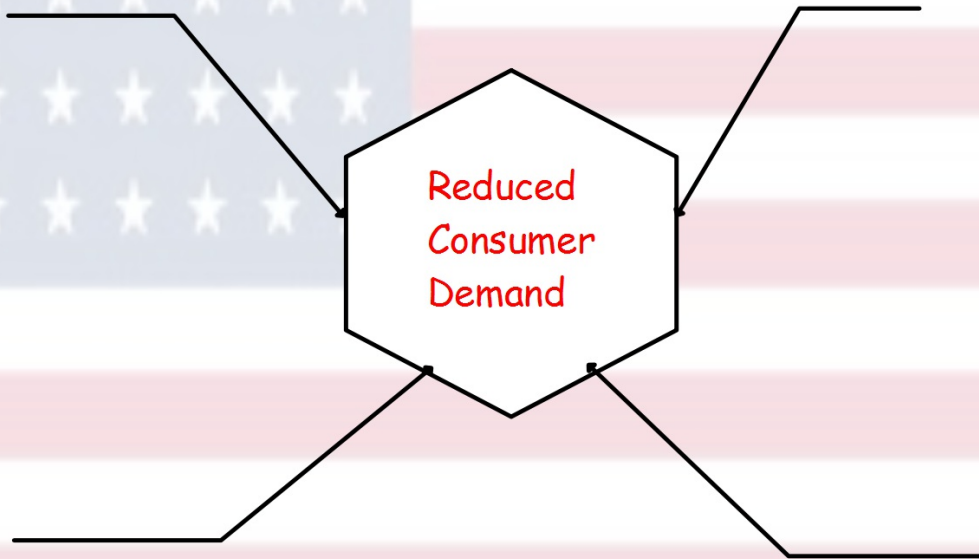


This particularly affected those who had bought using credit, as they had to sell at a loss and also found themselves still stuck with debt.

This further undermined confidence and reduced consumer demand further.



Using your notes from this lesson try and link reduced consumer demand to all the other causes.





## Lesson 2:

Prices began to fall on Wall Street dramatically as investors tried to sell increasing numbers of shares.



Another fine mess...

What will happen next?

On Thursday October 24th 1929 nearly 13 million shares were sold. Prices dived as few buyers could be found. A group of bankers spent \$250 million dollars buying shares to try and steady the market - it appeared to work.





See Olly I said it would be ok...



Unfortunately not the following Monday the panic began again and on Tuesday October 29th shareholders lost \$8000 million.

## Effects of the Wall Street Crash

Main



**Main**



## Effects of the Wall Street Crash

Confidence in the US Economy vanished, vamooshed, it was gone, lost in the crowd, on vacation at an unknown location!

Many rich Americans lost all their money.



Companies had to lay off workers so unemployment rose dramatically.

A lot of companies shut down completely - 100,000 between 1929 and 1933.

## Effects of the Wall Street Crash



**Main**



The effect on the Banks was catastrophic!

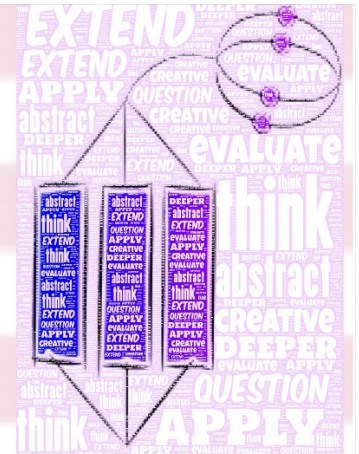
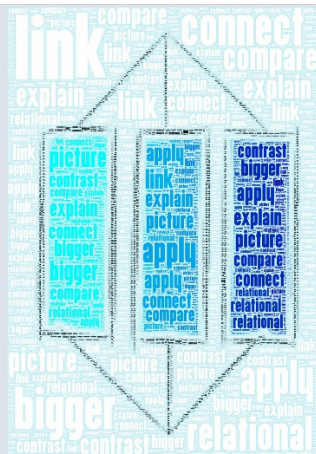
They had invested the deposits/savings of their customers in stocks and shares and lost everything.

People lost confidence in the Banks causing a "run on the banks" when they all tried to take out their cash. This caused more banks to fail.

Some banks called in loans to people and businesses early so they could pay their debts - money that the businesses didn't have - leading to more business failures.

## Complicating your understanding:

Use the SOLO activities to take your understanding of the events, causes and consequences of the Wall Street Crash to a more complex level.



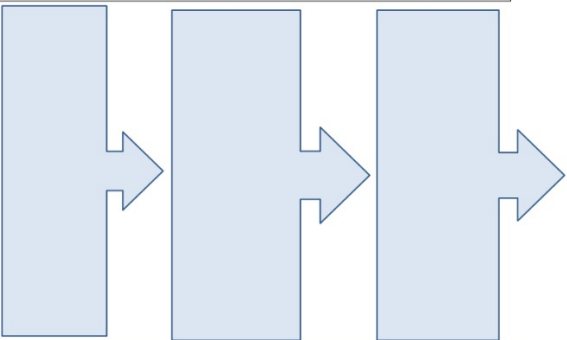
Its time to grow a pair, get bullish and develop your inner extended abstractness.





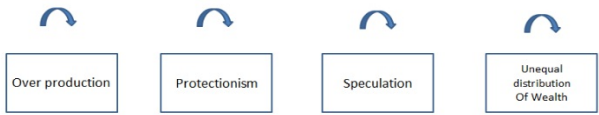
Linking, classifying, explaining...

What was the Crash?      What Caused the Crash?      What were the Consequences?



Linking, classifying, explaining...

Underlying economic problems



evaluate, analyse, predict, hypothesise



Can you write about any similarities between the economic problems in 1929 and the present day?

Can you draw the cycle of prosperity in reverse – so that it shows a “Cycle of Depression”?

