Boom, Bust, Response

Trace economic weaknesses, crisis, and changing federal action.

11.7c "For many Americans, the 1920s was a time of prosperity. However, underlying economic problems, reflected in the stock market crash of 1929, led to the Great Depression. President Franklin D..."

NAME ______________________________ DATE ______________

1 READ AND MARK

Read it twice

YOUR JOB Underline economic weaknesses. Mark a link from falling demand to job losses. Label Hoover's response H and Roosevelt's F.

Prosperity With Weak Spots

1 Factories, advertising, and installment credit expanded purchases of automobiles, radios, and appliances in the 1920s. Prosperity was uneven: farmers faced low prices, incomes were unequal, and many households carried debt. Investors bought stocks on margin, borrowing part of the purchase price. If prices fell, they still owed the loans. Speculation increased financial risk without guaranteeing lasting growth.

2 The October 1929 stock crash damaged wealth and confidence, but was not the Depression's only cause. Falling spending led businesses to cut production and jobs. Bank failures destroyed deposits and restricted credit, while monetary contraction deepened the decline. Unemployment further reduced purchases, reinforcing the downward cycle. By 1933, roughly one-quarter of the labor force was unemployed. The crisis involved interacting weaknesses and policy failures, not simply one day of panic selling.

3 Hoover emphasized voluntary business cooperation and local relief, but also expanded federal action through public works and the Reconstruction Finance Corporation's loans to financial institutions and businesses. Roosevelt, taking office in 1933, broadened direct federal relief, work programs, banking reform, farm support, and economic security through the New Deal. Social Security became a lasting example. Federal responsibility grew, though benefits were unequal and recovery incomplete during the 1930s. The contrast was one of degree and approach, not federal action versus no action.

2 ANSWER WITH EVIDENCE

Use the passage

1. What are two details from the first paragraph that show why 1920s prosperity was not secure for all Americans?

2. How did buying stocks on margin make a falling stock market more dangerous?

3. Explain two links in the downward cycle of falling demand and unemployment.

4. How did Roosevelt's approach differ from Hoover's, and what was one result for the federal government?

3 YOUR TURN

Your own words

In four sentences, explain why federal responsibility grew. Use two economic weaknesses, compare Hoover and Roosevelt, and identify a New Deal response.

PART 1 · READ AND MARK

Underline economic weaknesses. Mark a link from falling demand to job losses. Label Hoover's response H and Roosevelt's F. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	What are two details from the first paragraph that show why 1920s prosperity was not secure for all Americans?	**Farmers faced low prices, incomes were unequal, households carried debt, and stock speculation increased risk.**
2	How did buying stocks on margin make a falling stock market more dangerous?	**Investors still owed borrowed money even when their stocks lost value, so price declines could leave them with debts and losses.**
3	Explain two links in the downward cycle of falling demand and unemployment.	**Falling spending caused firms to reduce output and jobs. Unemployed workers then bought less, worsening the decline; bank failures also restricted credit.**
4	How did Roosevelt's approach differ from Hoover's, and what was one result for the federal government?	**Hoover used voluntary cooperation, local relief and some federal loans and works. Roosevelt broadened direct relief, work programs, regulation and Social Security, expanding federal responsibility.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Household debt and risky stock borrowing left many Americans vulnerable. Falling demand and bank failures deepened hardship. Hoover used voluntary cooperation and federal loans, while Roosevelt expanded direct relief and work programs. Social Security illustrated a lasting increase in federal responsibility for economic security.

Accept equivalent cause-and-effect reasoning supported by the passage. For the open response, look for accurate economic weaknesses, a valid comparison of the presidents, and a clear explanation that New Deal programs expanded federal responsibility.