A Crash Builds

Trace how connected economic problems deepened a national crisis.

8.5a "Risky investing, protectionism, and overproduction led to the collapse of the stock market, a wave of bank failures, and a long and severe downturn in the economy called the Great Depression."

NAME ______________________________ DATE ______________

1 READ AND MARK

Read it twice

YOUR JOB Circle evidence of risky investing, overproduction, and protectionism. Then number the three results named in the passage: the stock market crash, bank failures, and the Great Depression.

Connected Economic Troubles

1 In the 1920s, some investors bought stocks on margin, borrowing part of the price. Rising prices promised profits, but falling prices left borrowers owing money. Some businesses produced more goods than consumers could afford. Unsold products cut business income. Farmers also faced low crop prices as large harvests exceeded demand.

2 Another problem was protectionism, the use of tariffs to make foreign goods cost more. High tariffs were meant to protect American producers, but other nations often answered with tariffs of their own. As international trade shrank, American businesses and farmers lost overseas customers. In 1930, the Smoot-Hawley Tariff raised many U.S. tariff rates. It came after the stock market crash, yet it added pressure to an economy already weakened by falling sales and debt. This response made the problem spread across borders.

3 On October 29, 1929, panicked selling helped drive stock prices sharply downward. The stock market crash damaged confidence and wiped out many investments. As businesses cut production and workers lost jobs, more people struggled to repay debts. Banks that had made risky loans or lacked enough cash could not meet customers' withdrawal demands. Thousands of banks failed during the early 1930s. Their failures erased deposits for many families and reduced loans for businesses. These connected problems helped create the long, severe economic downturn called the Great Depression.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why did buying stocks on margin become dangerous when stock prices fell?

2. How did overproduction hurt businesses and farmers?

3. How did protectionism reduce sales for American businesses and farmers?

4. How did bank failures make the economic downturn worse? Use two details from the passage.

3 YOUR TURN

Your own words

Write exactly five sentences that trace how risky investing, overproduction, and protectionism weakened the economy. Include how the stock crash and bank failures helped turn these problems into the Great Depression.

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PART 1 · READ AND MARK

Circle evidence of risky investing, overproduction, and protectionism. Then number the three results named in the passage: the stock market crash, bank failures, and the Great Depression. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why did buying stocks on margin become dangerous when stock prices fell?	**Investors still owed the borrowed money even after the value of their stocks fell.**
2	How did overproduction hurt businesses and farmers?	**Consumers could not buy all the goods, so products went unsold, business income fell, and crop prices were low.**
3	How did protectionism reduce sales for American businesses and farmers?	**Other nations responded to U.S. tariffs with their own tariffs, shrinking international trade and reducing overseas customers.**
4	How did bank failures make the economic downturn worse? Use two details from the passage.	**Bank failures erased many families' deposits and reduced the loans available to businesses.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Risky investing left borrowers owing money when stock prices fell. Overproduction cut business income because too few consumers could buy all the goods. Protectionist tariffs reduced overseas markets and weakened trade. The crash and unpaid debts hurt banks, and bank failures destroyed deposits and restricted loans. Together, these problems deepened the Great Depression.

Accept equivalent cause-and-effect explanations supported by the passage. Students should note that the 1930 Smoot-Hawley Tariff followed the crash but added pressure to the weakening economy.