When Money Vanished

Trace how a financial crisis spread through the economy

USH.C.4.2.E "Examine the role of the Stock Market Crash and bank failures in weakening both the agricultural and manufacturing sectors of the economy as well as decimating the savings of middle class families."

NAME _____ DATE _____

1 READ AND MARK

Read it twice

YOUR JOB Underline two links between the stock market crash and factory troubles, circle two links between bank failures and harm to farms or family savings, and write F, M, or S in the margin beside details about farms, manufacturing, or savings.

A Crisis That Spread

1. In October 1929, stock prices collapsed after years of speculation and rising share prices. The crash did not by itself create the Great Depression, but it damaged confidence and reduced the wealth of many investors. Businesses found it harder to raise money by selling new shares, and worried lenders became less willing to extend credit. Manufacturers that had expanded during the 1920s now faced customers who delayed buying cars, appliances, and other goods. As sales fell, factories cut production and laid off workers. Those job losses further reduced spending, making it even harder for factories to sell what they made.

2. Farmers were already struggling before the crash because they had produced more crops than buyers could purchase at profitable prices. Many had borrowed money for land and equipment. When the economy contracted after 1929, households bought less food, and farm prices fell further. Lower earnings made it difficult for farmers to repay loans. Some banks that held farm loans lost money when borrowers could not pay. A bank's troubles could then reach other farms: without new loans, farmers struggled to buy seed or keep their land. Falling farm income also meant fewer orders for factory-made tractors and tools.

3. During the early 1930s, thousands of banks failed. Some had made risky loans or suffered losses when borrowers could not repay them. Fearful depositors sometimes rushed to withdraw cash, pushing even banks that could have survived toward collapse. There was no federal insurance protecting most bank deposits at the time, so a middle-class family could lose years of savings when its bank shut down. Families with little cash left spent less on manufactured goods, while surviving banks often tightened lending. Factories had fewer buyers and less credit; farmers, too, had fewer buyers and less access to loans. The crash and bank failures thus reinforced a wider downturn.

2 ANSWER WITH EVIDENCE

Use the passage

1. How did the stock market crash help weaken manufacturers? Trace a path from the crash to factory job losses.

2. How could falling farm prices contribute to a bank's troubles and then hurt other farmers?

3. How could one bank failure damage a middle-class family's savings and then affect factory sales?

4. According to the passage, how did tighter lending by surviving banks weaken both farms and factories?

3 YOUR TURN

Your own words

Imagine a town with an egg farm, an appliance factory, and a middle-class family whose money is in the same bank. Write five or six sentences showing how the crash and a later bank failure could affect all three, including a feedback loop in which one loss leads to another.

ANSWER KEY

When Money Vanished

HIGH SCHOOL · USH.C.4.2.E

PART 1 · READ AND MARK

Underline two links between the stock market crash and factory troubles, circle two links between bank failures and harm to farms or family savings, and write F, M, or S in the margin beside details about farms, manufacturing, or savings. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How did the stock market crash help weaken manufacturers? Trace a path from the crash to factory job losses.	**The crash damaged confidence and investors' wealth. Customers delayed purchases, sales fell, and factories cut production and jobs.**
2	How could falling farm prices contribute to a bank's troubles and then hurt other farmers?	**Lower earnings made farm loans harder to repay, causing losses for banks. A troubled bank could stop making loans that other farmers needed for seed or to keep their land.**
3	How could one bank failure damage a middle-class family's savings and then affect factory sales?	**Without federal deposit insurance, a family could lose its savings when its bank closed. With less cash, it would spend less on manufactured goods, reducing factory sales.**
4	According to the passage, how did tighter lending by surviving banks weaken both farms and factories?	**Farmers had less access to loans needed for seed or to keep their land. Factories had less credit to support their businesses.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

After the crash, local shoppers delay buying appliances, so the town factory cuts a shift. The egg farm sells less to workers who lose wages and misses a loan payment. When depositors rush to withdraw money, the bank holding that loan closes. The middle-class family loses its uninsured savings and cancels an appliance purchase. The factory cuts another shift because sales have fallen further. More unemployed workers then buy fewer eggs, making the farm's losses worse.

Accept other plausible chains that distinguish the crash from later bank failures and connect both events to farms, manufacturing, and family savings. The feedback loop should show how an initial loss causes further losses.