

WORLDWIDE DEPRESSION

After World War I, most countries in the world began to prosper. Americans enjoyed a time called "the Roaring Twenties." People felt good about the economy. They believed that they had a chance to do well. In 1929, the good times ended.

In the fall of 1929, the United States experienced a **stock market crash**. The value of stocks (shares of ownership) people held in companies began a steep and quick drop. Stockholders realized that they were in danger of losing everything they owned. They began to sell their stocks as fast as they could. Since there were more sellers than buyers, the prices continued to fall.

Businesses found they could no longer sell their goods because people had less money to spend. The businesses could not pay their debts. When businesses could not pay their debts, they had to close. This meant workers lost their jobs. These events happened so quickly that a panic occurred. People tried to get to their banks to get their money, and they tried to sell their stocks for any amount they could get. Panic selling and a "run on the banks" caused the economy of the United States to come to a halt. Farmers who could not get money to pay their loans lost their farms.

Businesses around the world traded with America. When the United States stopped buying goods, it hurt businesses in other countries. When U.S. banks closed, banks in other countries were hurt too. Stockholders in other countries began to sell their stocks for low prices. They could not sell their stocks in American companies for any price.

What followed was called a worldwide **economic depression**. As businesses and factories closed one by one, buying and selling almost stopped. Here's one example.

Mr. Jones managed a shirt factory. Because his customers were losing money in the stock market and in the banks, they did not buy shirts. They just kept the old shirts they already had. Mr. Jones kept the factory going for a while. New shirts began to fill his warehouse. Only a few shirts were sold each day.

Because the company had few sales, Mr. Jones had no money to pay his workers. He told them to go home, but he promised to call them back to work when he had sold the shirts in the warehouse.

Days went by. Now he was selling no shirts. Mr. Jones had no money to pay himself or the guards at the warehouse. The owner of the factory locked its doors. He put a "For Sale" sign out front. He hoped that someone would buy the factory, the warehouse, and the shirts.

Mr. Jones went home. He had no job and no money. His wife wanted to get some new shoes. Mr. Jones told her that was impossible. She would just have to keep the old shoes that she already had.

Meanwhile, at the nearby shoe factory, the manager looked at his warehouse full of shoes and shook his head.

- ___ 425. In the story, why was the manager of the shoe factory shaking his head?
- A. He had a headache from counting shoes.
 - B. He was excited to have so many shoes in his warehouse.
 - C. He wanted Mr. Jackson to come and work for his shoe factory.
 - D. He did not know what to do with all the shoes that no one bought.
- ___ 426. Which were effects of the depression?
- A. Employment rose and wages fell.
 - B. Farmers gained land and business grew.
 - C. People had more money and better jobs.
 - D. Farmers lost their land and banks closed.
- ___ 427. Why did business come to a halt after the stock market crash?
- A. Everyone was waiting for prices to come down.
 - B. Businesses were moving their factories to Europe.
 - C. People thought they could get a good deal on goods from Europe.
 - D. People did not have money to spend, or they were afraid to spend what money they did have.
- B