

# CHAPTER 3 Economic Activity in a Changing World

## Reading Skills: The Great Depression

**DIRECTIONS:** The article below describes the Great Depression, the biggest economic disaster to hit the United States during the twentieth century. Read the article and answer the questions that follow.

The economy had been in depression for months before Thursday, October 24, 1929. Nevertheless, this date has come to mark not only the day panicked traders exchanged 12,894,650 shares of stock on the New York Stock Exchange, it's the commonly accepted date that ten years of economic distress known as the Great Depression began.

By 1932, stock prices were only about 20 percent of what their value was just three years earlier. By 1933, 44 percent of the nation's banks were out of business. Only 14,000 remained. Between 12 and 15 million workers were unemployed during this time. One out of every four Americans struggled to find work.

This state of affairs was, at least in part, the result of an unchecked weakness in the fiscal practices of that time. Stock market speculation ran rampant, driving stock prices unrealistically high. Holding companies and investment trusts created a vast amount of debt. Banks were loaning funds that could not be liquidated or quickly recouped. It was only during the Great Depression that the government began to carefully regulate and attempt to ensure economic stability in the United States.

1. On which date were 12,894,650 shares of stock traded on the New York Stock Exchange?

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2. What percentage of U.S. banks went out of business by 1933?

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3. Using information in the text, figure out the number of banks in the United States before the Great Depression.

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4. What did rampant stock market speculation do to bring the nation closer to depression?

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5. What was the problem with some of the loans that banks were making?

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6. When did the government begin carefully regulating the nation's economy?

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