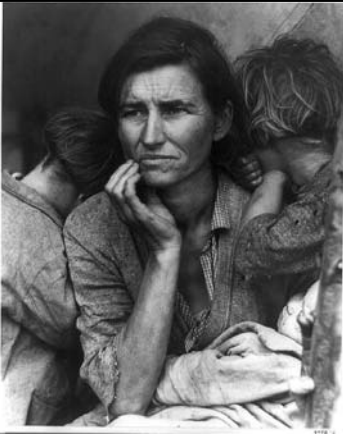


**Economy Go BOOM**

The Crash and the Great Depression



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**Optimism and Prosperity**

- Herbert Hoover elected 1928
  - Public mood optimistic
  - Confidence in U.S. economy
  - "We in America today are nearer to the final triumph over poverty than ever before in the history of any land. The poorhouse is vanishing from among us."

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**A "Bull Market?" Why?**

- Rising stock dividends
  - New investors helped market
  - Constant influx of new investors in and old investors out allowed new money
- Increase in personal savings
  - Higher wages=more money for savings or stock investments
- Relatively easy money policy
  - Money available at lower interest rates
  - People borrowed for purchases and stock

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### More Bull Market

- Overproduction Profits
  - Invested in new production
  - Profits funneled back into industry
    - In anticipation of selling overproduce
  - This lead to greater overproduction
  - Aura of financial soundness
    - More Americans bought stock

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### Even More Bull Market

- Lack of stock market regulation
  - No effective legal guidelines
  - Corporations began printing more common stock
  - Investors “bought on margin”
    - Down payment on total stock purchase
    - Balance would be paid when profits were earned
    - SPECULATION
- Psychology of Consumption
  - Consumer products made for purchase
  - Fed optimism of investors
  - Lead to a faith in prosperity

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### Crash and Burn

- Stock market was economic indicator
- Stock prices disproportionate
  - Prices not in line with profits
    - Because of **speculation**
- Sales of goods and new factories fell rapidly
  - But stocks continued to climb

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## Chronology

- October 24, 1929
  - "Black Thursday"
    - People sold stock quickly
    - Banks (J.P. Morgan) lent money to market to stabilize
- October 25, 1929
  - Stable
    - Morgan kept money coming in
    - Over weekend: worry and panic
- October 28, 1929
  - Another wave of sell orders
- October 29, 1929 ("Black Tuesday")
  - All previous year's gains lost in few hours

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## Depression

- Struck all industrialized nations
- Social Problems:
  - Suffering from losing jobs
  - Breakdown of families
  - High school dropout rate soared (2-4 mil)
  - Homelessness
  - Organized protests
  - "Hoovervilles" Popped up
  - Farmers foreclosed
  - "Bonus Army" in Washington
    - WWI Veterans marched on capital to demand payment

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## Images of Depression

- Bread lines
- Hoboes hopping freight trains
- College grads with no jobs
- High rates of suicide/mental illness
- Businessmen selling apples on corner
- "Okies" and farm migrants
- Long-term unemployment
  - Urban population shift; effects more devastating than in past depressions

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CAUGHT WITHOUT A SPARE

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A WESTERN LEADER

Sign: "We Done a Good Job in France, Now You Do a Good Job in America"

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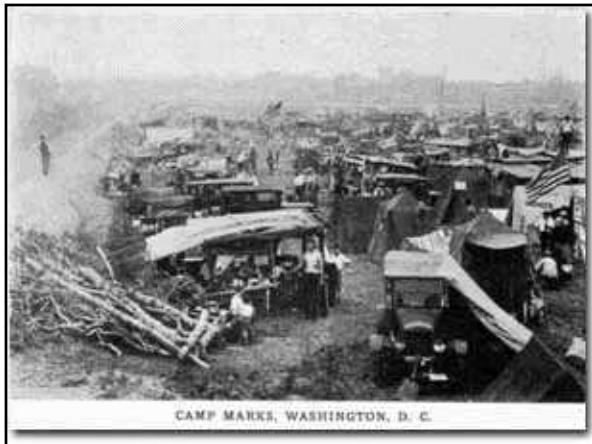
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CAMP MARKS, WASHINGTON, D. C.

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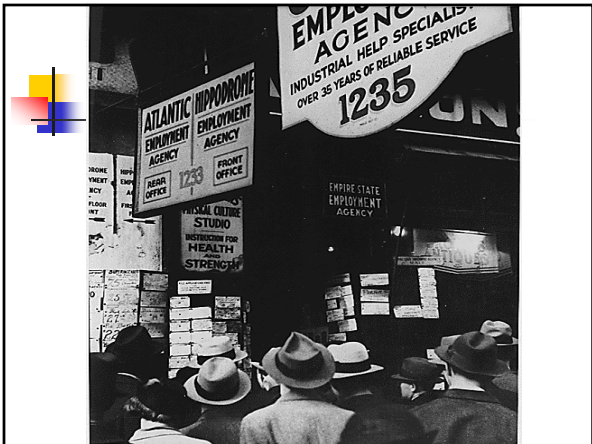
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**Recap:**

- Why were Americans so confident in the years leading up to the Great Depression?
- How did the Psychology of Consumption shape the causes and the effects of the crash?
- How did stock market investing change in the 1920s? Who were the main investors and how did they pay for their investment?

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### More Recap:

- Explain the statement: "By 1929, much of the money that was invested in the stock market did not actually exist."
- Why did Hoover choose the term "depression" for this economic downturn? Why do you think that this term has remained part of the American vocabulary ever since?

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