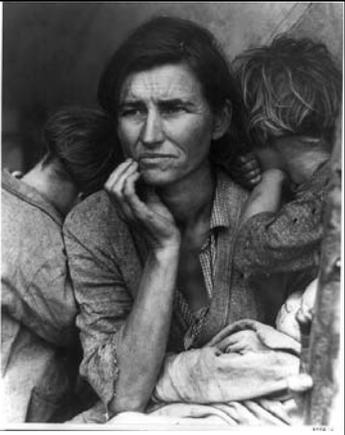




Economy Go BOOM

The Crash and the Great Depression





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."



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



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



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



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



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



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



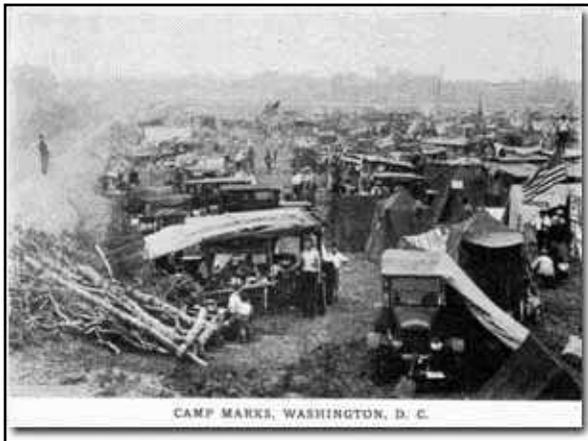
Images of Depression

- 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



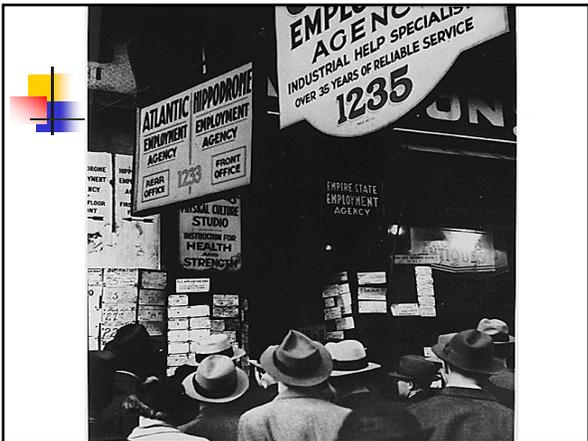


Sign: "We Done a Good Job in France, Now You Do a Good Job in America"













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?



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?
