

# THE GREAT DEPRESSION

Unit VII: New World Power

# CONTRIBUTIONS: SPECULATION

- **Speculation:** The practice of buying stocks in order to resell for a profit.
  - Dramatically increased demand
  - Stock prices triple
- **Marginal purchases (Credit purchases):** Instead of paying full price for stocks, down payments and install plans were popular.
- The stock market crash resulted in mass losses



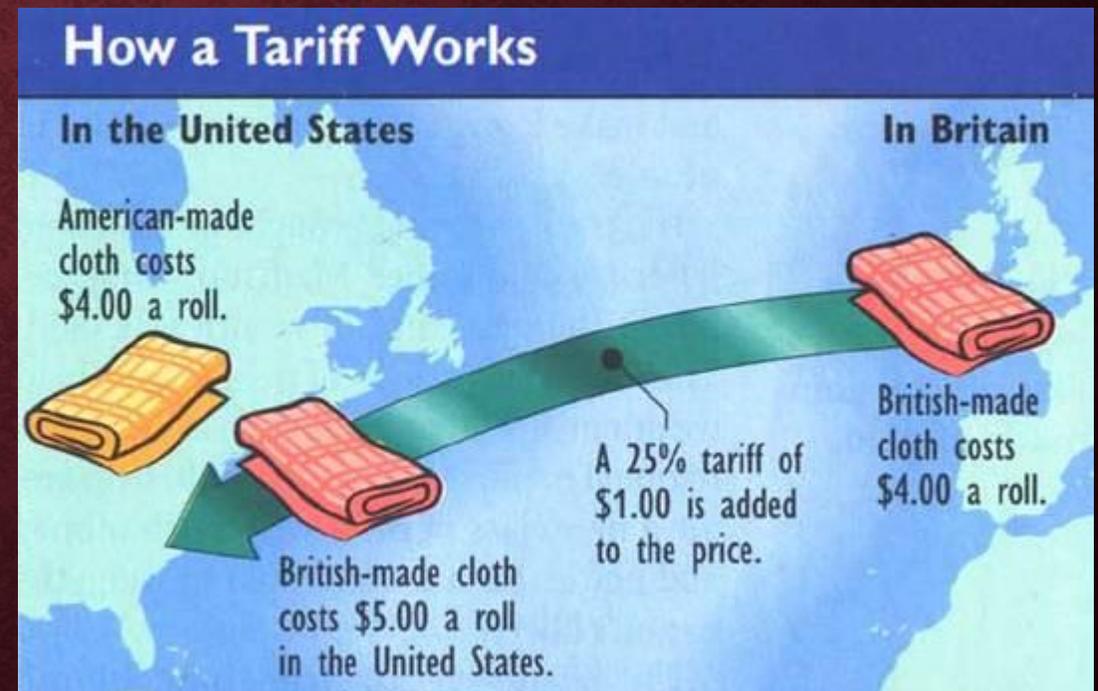
# CONTRIBUTIONS: OVERPRODUCTION AND UNDER CONSUMPTION

- **Assembly Line:** Increases production of goods
- **Marginal purchases (Credit purchases):**  
People began buying goods, often luxury types, without real capital.
- **Consumption slows**
  - Overstock exists
  - Leads to layoffs and unemployment
- **Wealth Gap:** 40% of Americans lived under the poverty line!
  - Wealthiest 5% owned 25% of the wealth



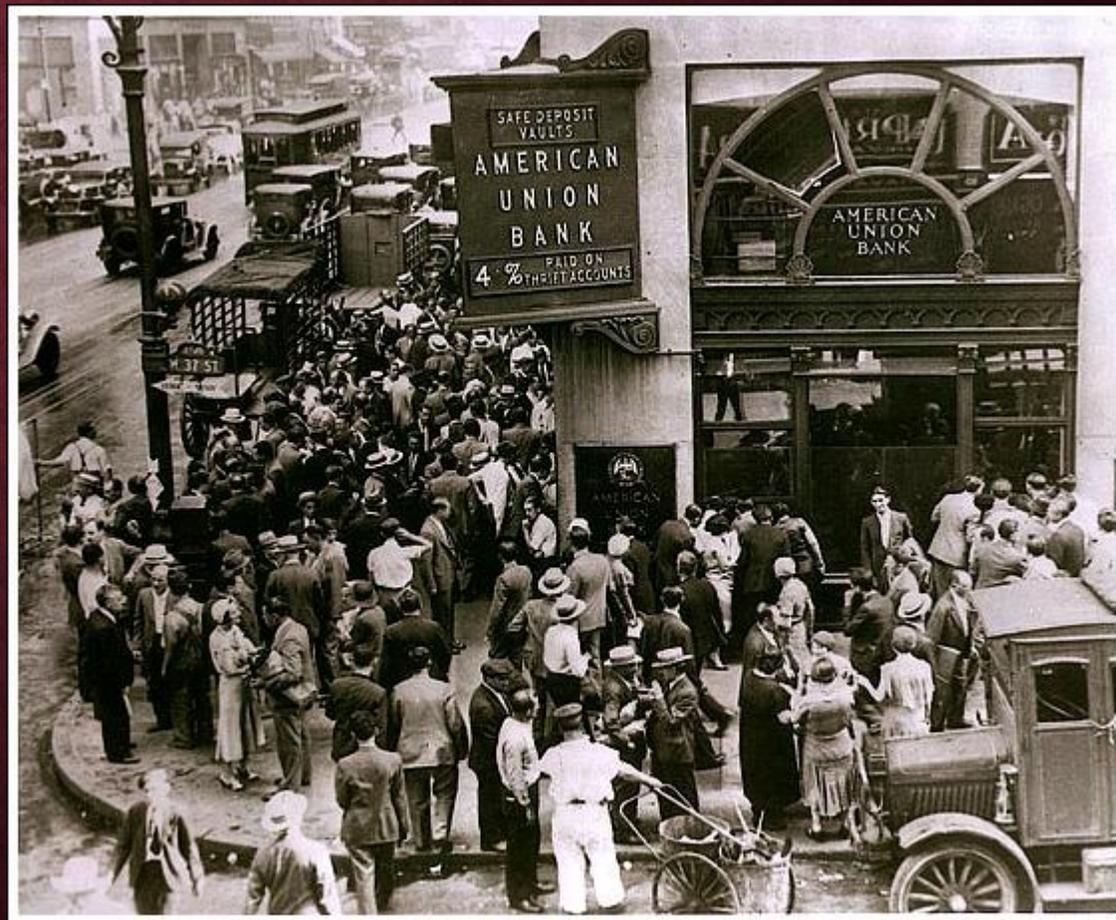
# CONTRIBUTIONS: HIGH TARIFFS

- **Tariff War:** International markets retaliated to US tariffs with their own
- Trade slows down
- Demand is dramatically decreased as production was increased



# CONTRIBUTIONS: BANKS

- Banks used deposits from customers on unsound investments
- Stock market crash leads to loss of customers' deposits
- 5,000 banks fail
- \$3.25 billion in uninsured deposits “disappear”



# DIRECT CAUSE: STOCK MARKET CRASH

- September – October 1929
- **Black Tuesday** – October 29, 1929
  - Stocks fell \$14 billion
- By December over \$40 billion was lost
- US Steel went from \$262/share to \$62/share
  - \$200 multiplied by x then multiplied by \$14 = \$ lost today

## BLACK TUESDAY

NEW YORK, TUESDAY, OCTOBER 29, 1929

### THE STOCK MARKET CRASH OF 1929

BY BARBARA SILBERDICK FEINBERG

NEW YORK, OCTOBER 29— Another hurricane of liquidation hit the stock market today, as financial uncertainty fed on rumor and turned to panic. Frightened investors ordered their brokers to sell at any price, and the stock market crashed. Those on the floor of the Wall Street exchange waded in paper and tried to sell up their losses.

It is believed those losses total billions of dollars. Thousands of accounts were wiped out as a record number of shares were traded. Some stocks were almost given away. Millions of shares traded hands.

Brokers on the floor of the Exchange have never seen a day like this. The stock on Wall Street spread to other exchanges and markets. It was a country-wide collapse of security values in which losses were the most disastrous and far-reaching in the history of the Stock Exchange. There was near-panic on the Chicago commodities exchange. Rumors spread from one end of the United

Crowds Gathered On Wall Street As The Market Went Into Historical Decline

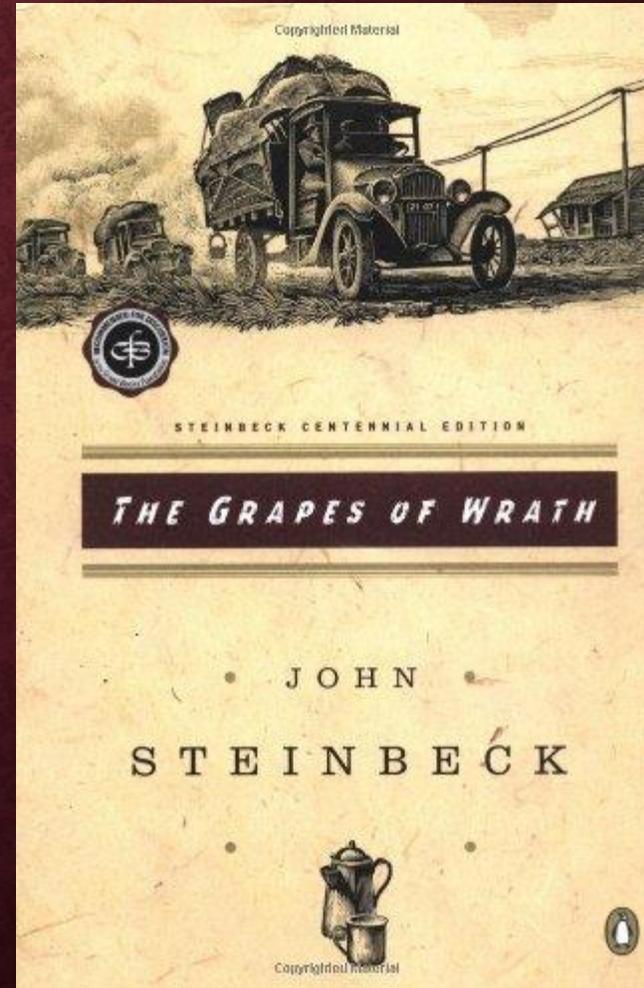
# DIRECT CAUSE: JOB LOSS

- **Chain reactions**
  - Factory owners shut down
  - Layoffs led to unemployment
  - No money to purchase goods
  - Demand for goods decreases
  - More factories close
  - More banks fail as loans default



# EFFECTS: FARMERS

- **Dust Bowl**
  - Drought and dust storms in the Midwest caused farms to fail
  - Oklahoma, Arkansas, Kansas
  - Previous years of surplus caused prices/profits to fall
  - Farmers moved west in hopes of new work



# EFFECTS: WORKERS

- **Hoovervilles**
  - 12 million unemployed by 1932
    - 25% of all workers
  - Employed worked for low wages
  - Relied on soup kitchens
  - Supplies for homes came from dumps



# REALITIES

From the early thirties on, the good times became fewer, the grimness and sadness more pervasive. Part of this, I well knew, was worry about money. Once my father, who usually dressed well, bought a badly made cheap suit that made him look foolish. For a while the house was for sale, and I was deeply troubled to see a For Sale sign on the lawn near the pepper tree. It didn't sell, and eventually the sign was taken down. We resigned from the country club and the tennis club. We got rid of the car, which had never been very important in our lives. In the thirties our standard of living was an odd one a house full of elaborate furniture in a good neighborhood, an old maid who could not be fired, and no car. Only the level of the family meals was never cut I don't think my mother really knew that there were any alternatives to the round of steaks and roasts. And behind everything, damping every family occasion, lurked the question, What would happen when all the money was gone? We were living, I later learned, on what remained of my father's investments. Even before the crash of '29, some of them were turning out badly

(Right – Dorothea Lange's *Migrant Mother*, Florence Owen Thompson)

