

US History The Great Depression & The New Deal

Learning Target:

I can assess the economic factors leading to the Stock Market Crash and the depression to follow.

1. The Stock Market Crash

Economic Troubles Coming –

-Although the 1920s appeared to be a decade of prosperity some felt there were problems with the US economy

Basic industries were struggling

-Railroads –

-Coal mining –

-Steel –

Farmers struggled to make money

Consumers had less money to spend

Uneven distribution of wealth between poor and rich

-Wealthiest 1% saw their income rise by 75%

-9% increase in income for Americans as a whole

Hoover's Plan For The Country

-Believed the government should continue to have laissez-faire economic policy

Hoover's Rugged Individualism Speech:

“We were challenged with a peace-time choice between the American system of rugged individualism and a European philosophy of diametrically opposed doctrines – doctrines of paternalism and state socialism. The acceptance of these ideas would have meant the destruction of self-government through centralization of government. It would have meant the undermining of the individual initiative and enterprise through which our people have grown to unparalleled greatness.””

Playing The Market –

- Confidence in economy also reflected in the stock market
- American investors poured millions into the stock market

Bull Market –

Bear Market –

Stock Speculation –

- Stock speculation became widespread and stimulated economic growth
- The rapid buying and selling however artificially inflated the prices of stocks
- Overpriced stocks could be bad if demand was ever to decrease

Margin Buying –

- Many stock speculators were buying their stock with as little as 10% of the price and borrowing the rest
- Margin buying was great as long as the market remained a bull market
- If the market turned bear investors would find themselves in deep debt

The Crash –

October 24, 1929

- Rising interest rates made a large number of investors very nervous
- Large amounts of stocks sold but the worst was yet to come

Black Tuesday –

Stock Brokers and Debt –

- By mid November leading stocks values were cut in half
- By the end of 1920 losses in the crash exceeded the total cost of US involvement in WWI