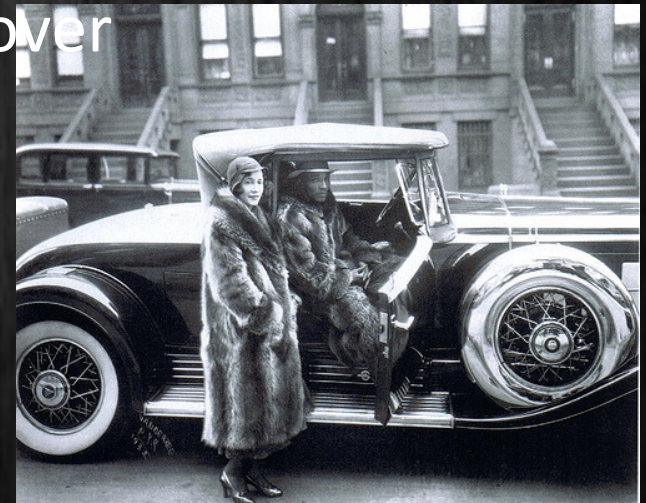


The Roaring 20s

- Stock Market soars in the 1920's.
 - People had more money and life was good
 - Businesses boom
 - Examples:
 - 1921 1.5 million cars sold
 - 1929 4.5 million houses sold
 - 80 million going to the movies each week
- Republican candidate= Herbert Hoover
 - He was optimistic; future seemed hopeful
- Economy was healthy
 - Banks relaxed credit terms
 - Americans bought and sold stocks; hoping to profit from investment



What is a Stock?

- Imagine you want to start a new company.
 - costs 100,000 to get your new business off the ground
 - You divide the company into pieces or shares (1,000) of stock
- Example: A share of your company cost \$1,000
 - Your company then collects this money from investors
 - At the end of the year that person would be entitled to 1/1,000 of the profit
 - If the company earned \$50,000 during the year= the investor would earn \$50.00
 - Over time investment hopefully grows



19.89	37.52	17.12	-0.09	1.81%
36.75	17.02	42.15	+0.75	0.48%
17.47	40.86	27.09	+0.13	2.09%
42.45	26.07	22.47	+0.46	-5.12%
27.15	21.71	23.37	-1.26	3.30%
22.59	22.74	391.66	+12.51	0.78%
29.97	377.43	95.61	+0.74	1.69%
391.70	93.96	25.22	+0.42	1.22%
95.67	24.74	24.82	+0.30	
25.32	24.35	57.27		
24.89	57.00			



Stock

- When you buy stock you are purchasing a tiny piece of a company.
- McDonald's: divided into 1,079,186,614 shares of stock
 - Over the past 12 months the company earned \$4,176,452,196.18
 - Current price of McDonald's share is \$61.66
 - If you bought 1,000 shares at \$61.66 you would earn \$61,660
 - What happens if the value of that stock falls to \$30 per share the next day?



The Great Depression

- Associated with Black Tuesday

- Stock market crash of October 29, 1929
- Really crashed over a series of 5 days
 1. Thursday, Oct 24: typically traded \$4 million shares but traded 12.9 shares—the system couldn't keep up with it; stock fell
 2. Monday, Oct 28: High trading volumes put strain on information systems; market goes down
 3. Black Tuesday, Oct 29: Final blow/start of the Great Depression
 1. Record 16.4 million shares exchanged
 2. People panicked and selling of shares continued



Impact of Crash

- No one was left to buy stocks, everyone was trying to sell at the same time.
 - Led people to bankruptcy
 - Banks went broke because they invested clients savings in the stock market
 - People rushed to the banks to withdrawal their money
 - Businesses that had invested in the stock market were hit; had to pay employees less and fire many
 - People began to spend less → which impacts the economy
 - Even those who hadn't invested started to feel the effects



Banks & Overproduction



- Banks
 1. Invested heavily in stocks
 2. Encouraged customers to invest
 - Without savings or jobs people couldn't pay off loans or make payments → couldn't afford new products
- Overproduction Led To:
 - Many companies had a surplus of goods from the roaring 20s
 - To get rid of surplus, companies lowered prices to sell more: reduces profit, lay off workers, leads to a recession
 - Recession= severe and continues for a period of time; can lead to a depression

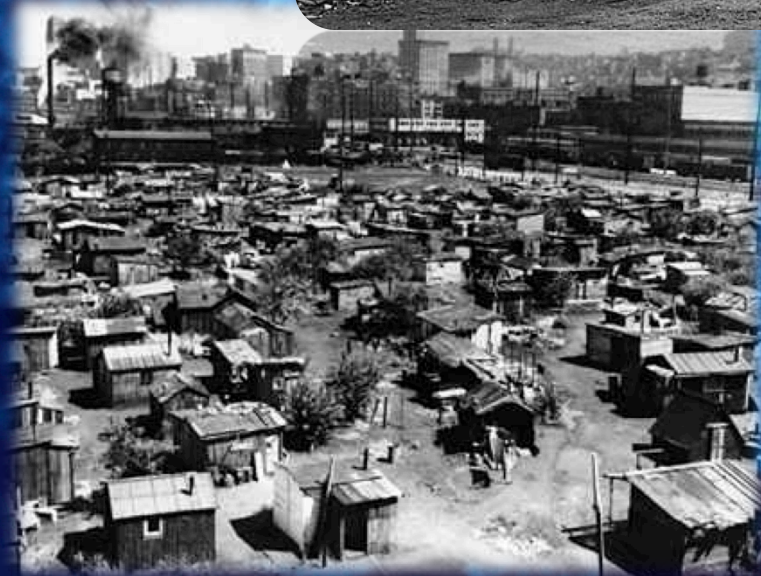


- 1932: unemployment rate was 24%
- Jobless: sold apples & pencils on street
 - many left homes in search of work
- Living conditions in cities became difficult
 - competed for jobs, food, and shelter

31.

Herbert Hoover 1929-1933

- **Outskirts of cities:**
 - Camps: shacks built from cardboard boxes/scrap wood
- **Called Hoovervilles**
 - people blamed President Hoover for their situation
- **Hoover blamed the world economic problems for depression**
 - European countries still struggling to pay loans back to U.S. from WWI

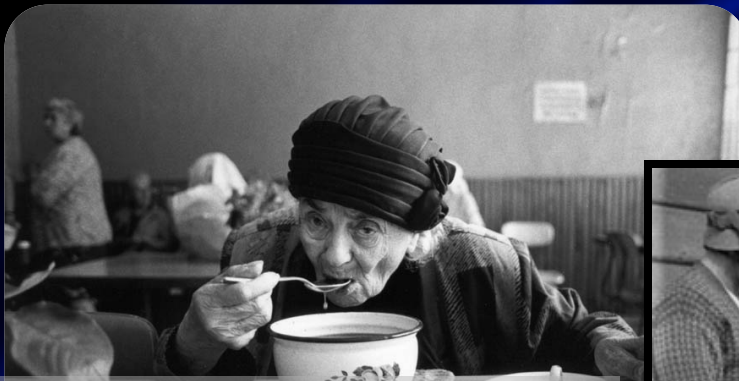


HIT HARD

- African Americans & Mexican Americans
 - first groups to be laid off
- Women found it easier to get jobs during the depression
 - maids, clerks, waitresses
 - paid less than men



American Pride

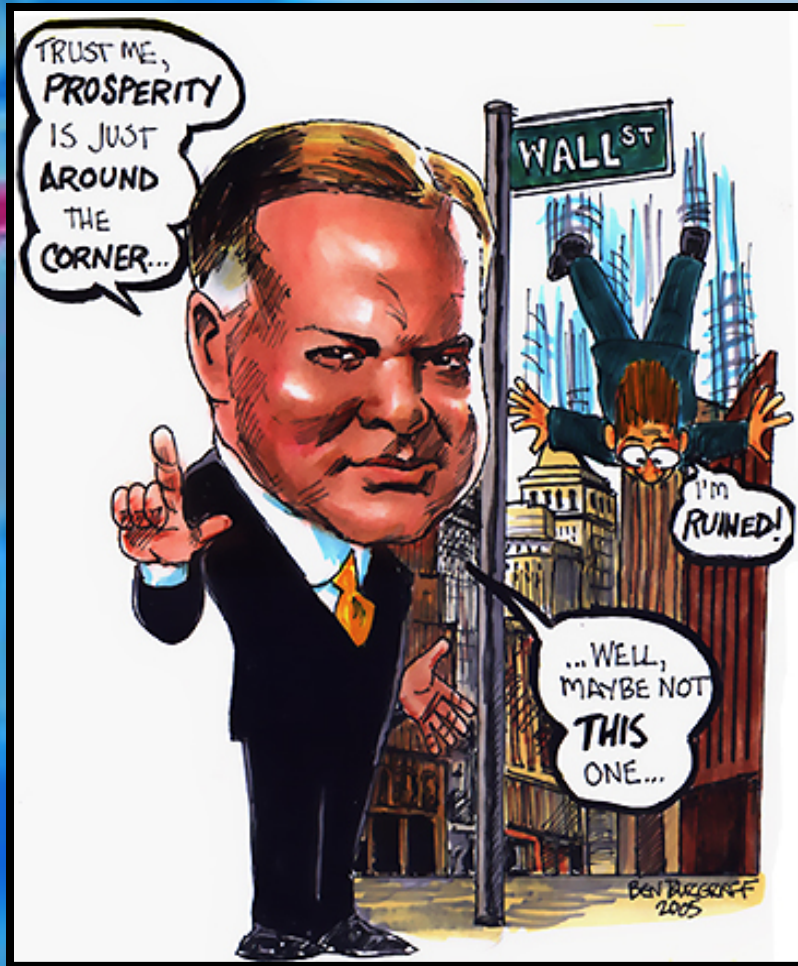


- poverty hurt the pride of many Americans
 - many resisted asking for help
 - main help from relatives, neighbors, and churches
- Private organizations provided:
 - food, clothing, shelter, and money
 - Red Cross and The Salvation Army: soup kitchens & breadlines



Hoover's View

too little, too late??



- Against federal programs
 - believed private charity was better
- 1. Reconstruction Finance Corporation: loaned money to businesses banks to keep them operating
 - economy still declined
- 2. Cut taxes
- 3. Built schools, hospitals, and roads
- 4. Federal Home Loan Bank Act: provided money to banks, financial institutions, insurance companies

- Vets needed help too
- Congress passes the *bonus bill*; 1924
 - money would be put into a fund until 1945
 - would receive \$1,000
- Demanded it sooner and in full
 - formed the bonus army—group of protesting vets
 - refused—riot broke out
 - two police officers and two vets were killed

WW1 Veterans

