

American Stock Market:

During the 1920's the stock market was a **BULL MARKET**---one with rising stock values.

--ability to make money quick in stock market often led people to buying on margin

Margin buying=purchasing stocks on credit.

Question: What happens if stock prices fall?

Late summer 1929---for first time in a decade, prices begin to fall.

--investors are frightened and rush to sell stock---in turn, it decreases in value.

On Thursday, October 24 the panic leads to market losing \$11 million in 3 hours.

Black Tuesday—On October 29, the stock market crashes.

--very few people wanted to buy and huge amounts of people look to sale.

Banking Crisis: Banks invested heavily in stock market.

--they lost money when market crashes.

--also, many banks loaned \$ to people to buy stocks. Customers could not pay back loans.

--once a few banks fail, people rush to banks to withdrawal money—leads to more bank failures.

Business Crisis---direct result of bank failures. Businesses lost profits and savings when banks failed and were forced to close.

Recession: Businesses eventually produce more than they can sell. Forced to lay people off. When people are laid off, they buy less goods. This causes more businesses to fail.

Deep Recession=**Depression**

Business Cycle: natural up and down pattern within the economy.

Why did Depression Happen? / Causes

- 1) Overproduction: companies produce more goods than market calls for.
- 2) Uneven distribution of wealth—5% own 1/3 of all wealth. 40% earn 1/8 of all income.
- 3) Declining World Trade—European nations could not afford American goods after WWI.

Read 1st paragraph on page 781.

President Hoover: did not believe in direct federal relief. Felt relief should come from private individuals and institutions.

Reconstruction Finance Corporation: loaned \$1.2 billion to banks and farm mortgage companies.

Hoover Flags: empty pockets turned inside out as a way to protest Hoover's policies.

Bonus Army: group of military veterans who marched on D.C. demanding early military payments. Hoover refused and the U.S. military was called in to scatter veterans.

1932 Election: No chance for Hoover (Republican)

Franklin Roosevelt: New York governor who had taken steps on NY to provide relief during depression.

Roosevelt wins easily and Democrats have majority in both houses of Congress.