Preview: “Think Aloud”
The Great Depression
Through Pictures
Causes of the Great Depression

• People borrowed lots of money to buy high priced stocks and they could not repay the money when stock prices crashed.
The stock market is where an individual can buy and sell shares of stock. Stock represents ownership in a company or corporation. Anyone, not only the rich, can buy stock. This is usually done through a brokerage house. These are trained professionals who can advise potential buyers of what stocks would be best for their needs. Brokers also advise buyers of the risks involved. No money invested is protected against loss. It is a “winner takes all and loser loses all” situation, so when one invests, one uses money one can afford to lose!

The concept behind buying stocks in the 1920s was to buy at a low price, watch it rise, and then sell it at a high price. This was not just theory, it actually happened; often enough that people believed they could become rich overnight. However, for each overnight rich person there were hundreds, if not thousands, who never reached this goal. Many were attracted by the Bull Market, a term meaning that stock prices are on the rise. As a result, investors took advantage of being able to buy stock “on margin.” This is when the buyer only pays a percentage of the cost and borrows the remainder from the broker in expectation of an increase in the price of the stock. The stock can then be sold and the loan repaid. The investor makes a profit after the broker is repaid. This was an all too common practice in the 1920s economy.
By March 1929, the business boom was slowing down. Stock prices continued to rise but in some cases they rose so fast that they surpassed the actual value of the company. On September 3, 1929, the market hit its high point, and prices began to fall. This fall quickened in mid-October. On October 24, “Black Thursday,” panic set in and a three billion dollar loss occurred. This happened in spite of the attempt of J. P. Morgan and other influential bankers to stabilize the market by making huge stock purchases.

The worst was still to come. On October 29, “Black Tuesday,” the stock market collapsed. Stocks sold for a fraction of their cost, and the more sales, the steeper the fall in price. Eventually, no buyers were available.

The crash of the stock market on Black Tuesday marked the end of the economic boom of the 1920s and the start of the period known as the Great Depression.

People gathered outside the New York Stock Exchange, October 24, 1929, when a 5-day trading frenzy leading up to Black Tuesday was underway. Source: Library of Congress
Causes of the Great Depression

• The Federal Reserve failed to prevent the collapse of the banking system (they were not doing their job).
A large crowd surrounded this bank in 1929, desperate to withdraw their money before the bank failed. New York's American Union Bank opened in 1917 and went out of business on June 30, 1931. Source: History Alive!
Causes of the Great Depression

- The US government charged high taxes (tariffs) on goods from other countries, so other countries did not want to trade with us.
High tax on imports = expensive purchase price for imported goods.

Expensive price on goods = low sales for European businesses.

European business failures = no government tax from businesses.

No tax collection = inability to pay back loans from WWI.

Depression worsens worldwide.
Effects of the Great Depression

- A large number of banks and businesses failed
Source: Library of Congress
Effects of the Great Depression

• One-fourth of workers were unemployed
Out of work men trying to get jobs from an employment bureau.
Source: Library of Congress
Effects of the Great Depression

- Large numbers of people were hungry and homeless
Homeless man making turtle soup

Source: Library of Congress
Two young boys waiting for soup at a mission

Source: Library of Congress
“Hooverville:” New York City 1936

Source: Library of Congress
Effects of the Great Depression

• Farmer’s incomes fell to low levels because of the dust bowl.

View footage of a dust storm at:
http://www.eyewitnessstohistory.com/himdustbowl.htm