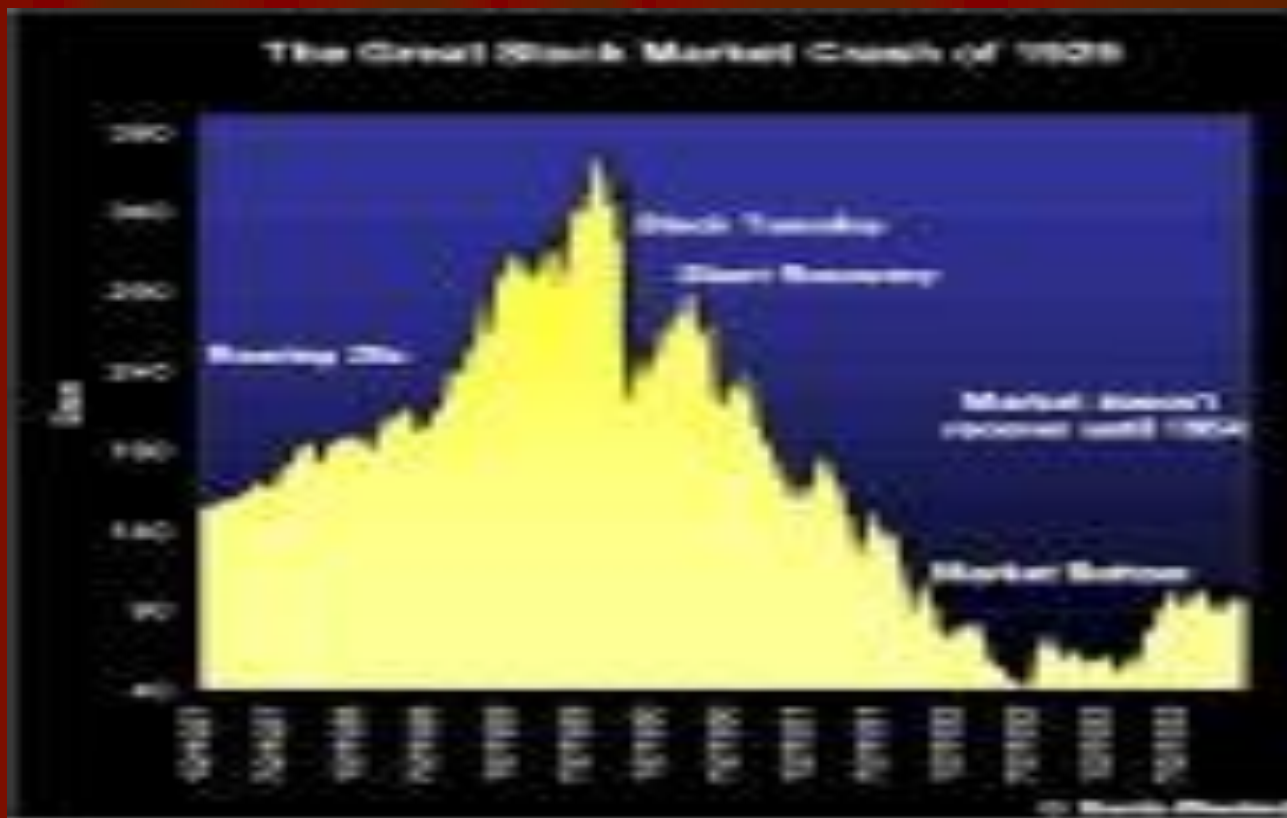


# 22.1 Stock Market Crash



# The Market Crashes

- **Early 1928 *Dow Jones* climbed to 191.**
- **By Sept. 3, 1929 it reached all time high of 381.**
- **Prices for stocks soared above their actual value in terms of the companies earnings and assets.**

- After peak in Sept. prices began to decline slowly.
- On *Black Tuesday*, Oct. 29, 1929, 16.4 mill shares were sold (avg. before was 4 to 8 mill a day).
- By Nov. 1929 overall losses totaled \$30 bill.
- This was part of nation's business cycle.

# Ripple Effect of the Crash

- **By 1929 4 mill people were involved in stock market out of about 120 million.**
- **About 3.3% of pop.**

# Why Hurt Whole Country(essay)

- **1. Risky Loans Hurt Banks**
- **2. Consumer Borrowing**
- **3. Bank Runs**
- **4. Bank Failures**
- **5. Savings Wiped out**
- **6. Cuts in Production**

- **7. Rise in unemployment**
- **8. Further cuts in production**
- **This was called an economic contraction-falling output of goods and services.**
- **Long contraction=depression**
- **Great Depression-1929-1941**

# Impact on Workers and Farmers

- **August 1931 Henry Ford shut down his Detroit factories, 75,000 people out of work.**
- **1929 bushel of wheat sold for \$1.18 in 1932 dropped to a mere \$.49?**

- **By 1932 12 mill people were unemployed (1/4 of labor force).**
- ***GNP* fell from \$103 bill in 1929 to \$56 bill in 1933.**
- **France and Britain had large WWI loans to pay back to U.S.**
- **Allies relied on German reparations to pay U.S.**



- **Germany depended on U.S. for investments.**
- **With depression investments fell off.**
- **Nobody could pay anybody, vicious cycle.**

## Underlying Causes of the Depression

- **Stock market crash of '29 did not cause the depression alone.**
- **Uneven prosperity of 1920's made rapid recovery impossible.**
- **People were buying stocks on *margin*-paying little or nothing down. Expected returns to pay debt.**

- **Federal Reserve began to limit the money supply in the '29 to limit over speculation.**
- **Result-too little money in circulation to recover from the Great Crash.**