



THE STOCK MARKET CRASH, GREAT DEPRESSION AND THE DUST BOWL

The Post-War Economy

- Farmers suffered after WWI b/c they lost European consumers.
- The rest of the country depended on domestic markets and easy credit for prosperity.
- Many average Americans sought their fortune through the Stock Market in the late 1920s.



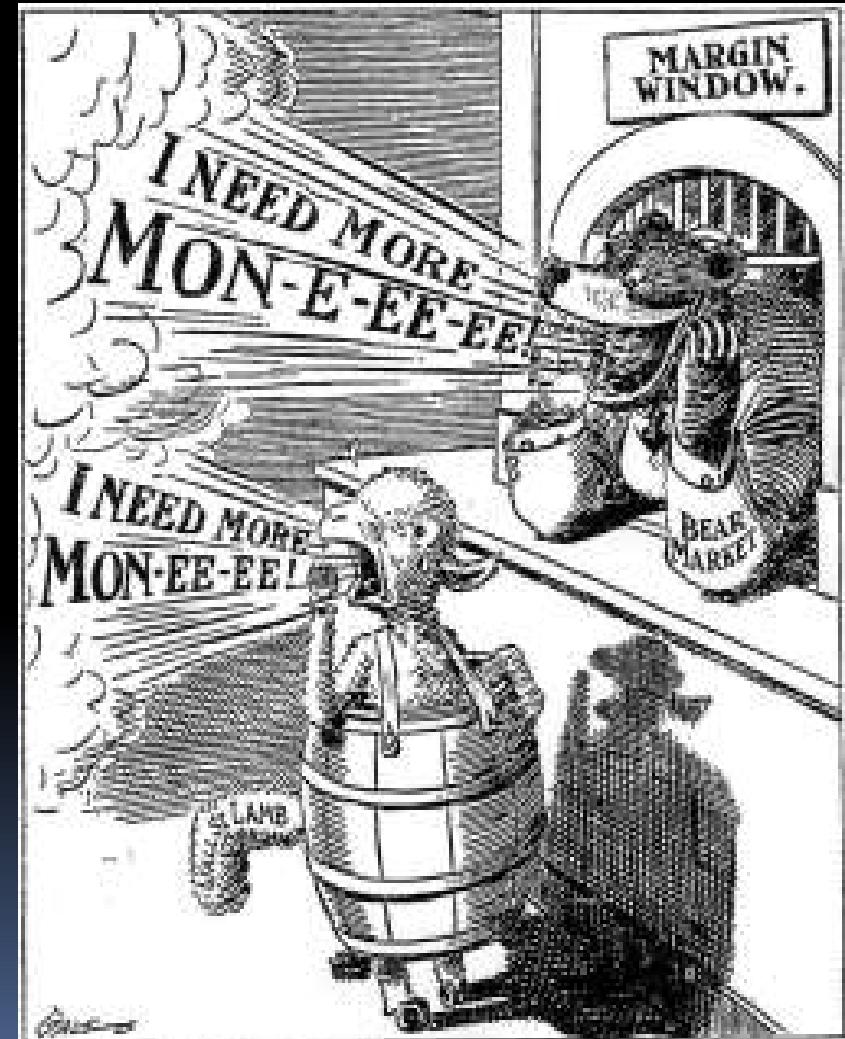
President Herbert Hoover – Building on Prosperity



- President Hoover won 58% of the vote
- The country was happy w/ the Republican party b/c the economy was booming.
- Hoover ironically vowed that poverty in America would come to an end.

Dangerous Risks

- A variety of problems faced the stock market.
- People were borrowing money or “buying on margin” to purchase stocks.
- Speculation was rampant. People bought stocks in hopes of becoming rich without considering the consequences.

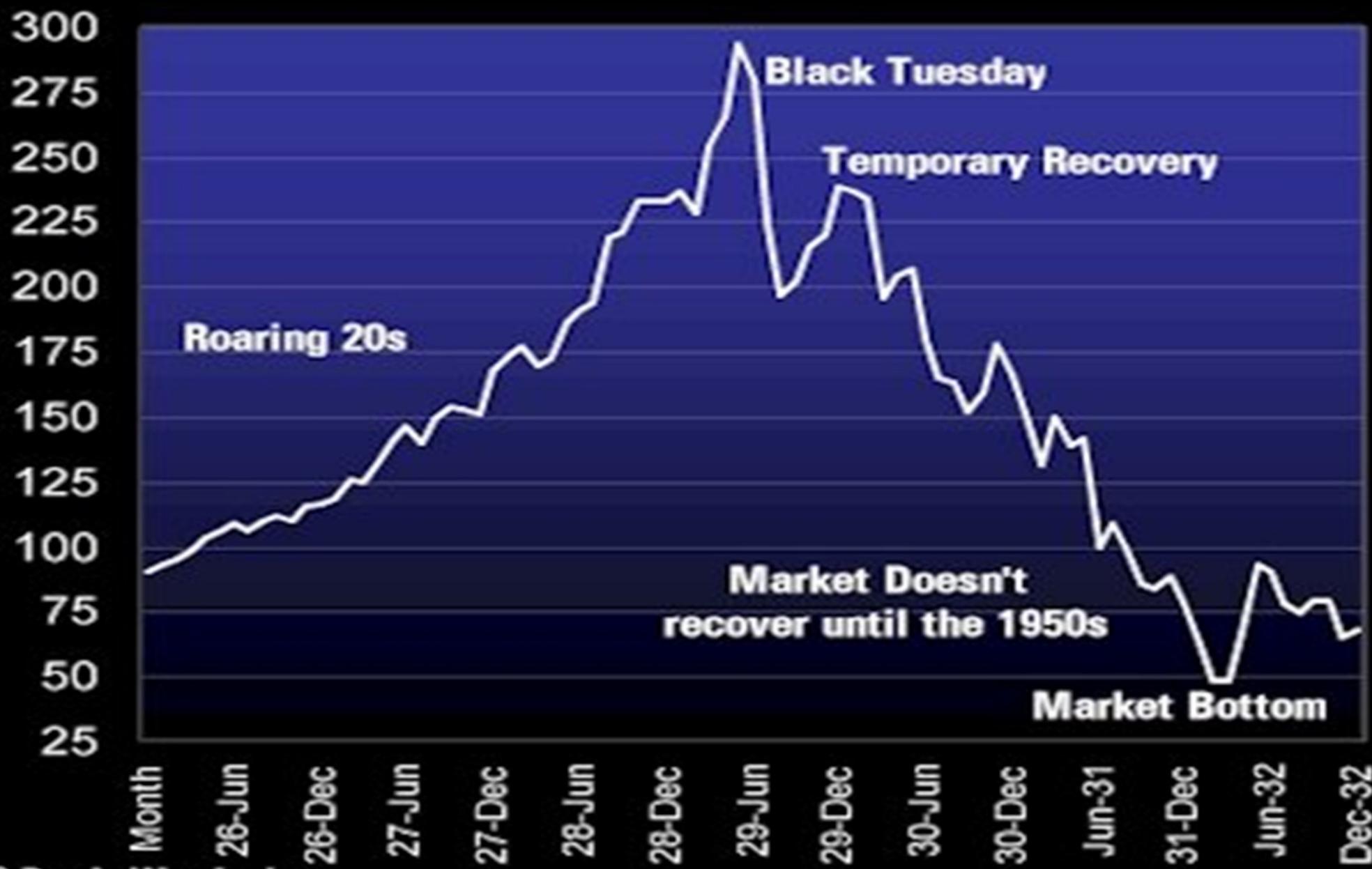


The Crash

- On Thursday, Oct. 24th 1929 all of the problems surrounding investment strategies catch up with the market and it drops significantly.
- Unbelievably bankers again prop the market up via large cash investments.
- By Tuesday Oct. 29th investors decide that they couldn't be calmed by the cash infusions and the market collapses. This is known as Black Tuesday.

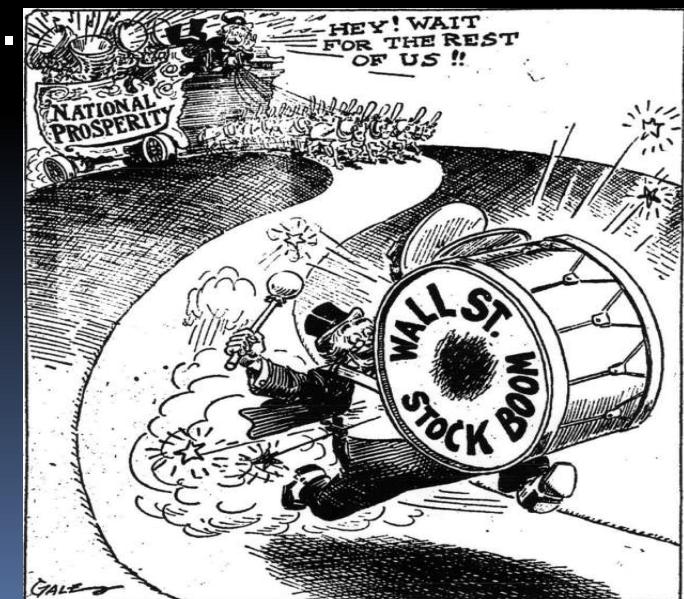
1929 Crash Using S&P 500 Data

Growth of \$100

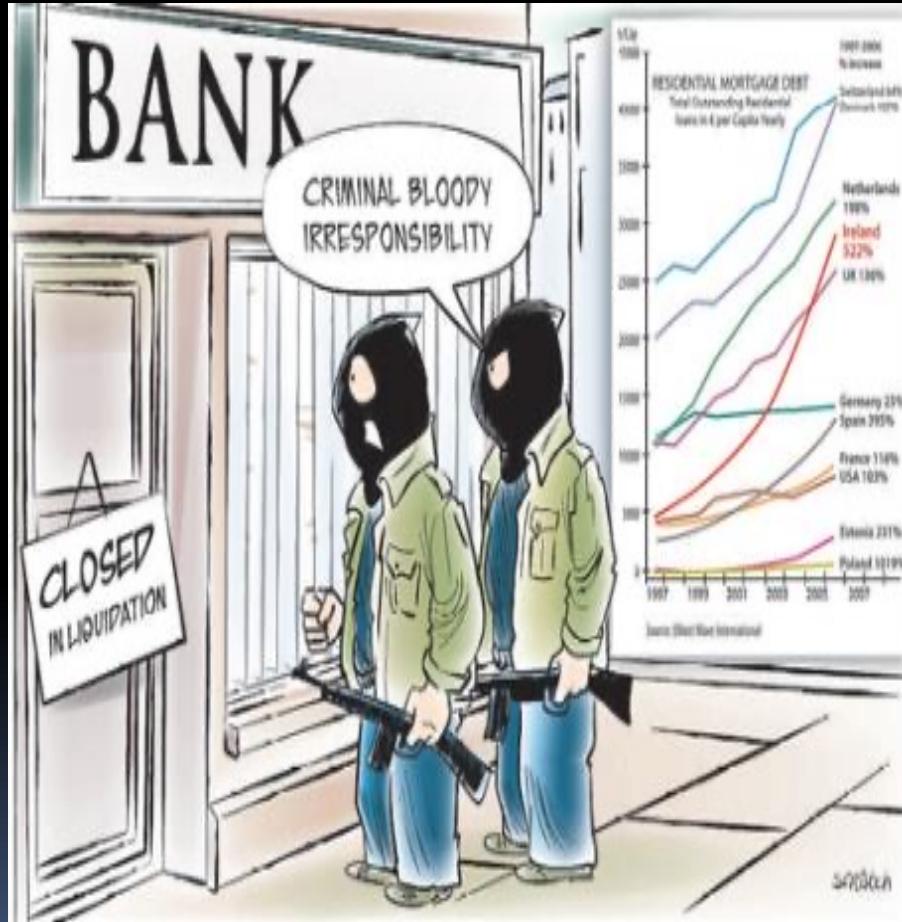


Why did the Market Crash?

- People had over-invested and over-speculated in the market.
- Poor distribution of wealth.
- Many of the companies being invested in weren't really worth anything.



The Banks Falls Next



- Banks freaked out after the stock market crash.
- Many things had been purchased on credit, banks began making an attempt to collect the money owed to them.
- Businesses that owed money had to fire people to pay debt.

The Banks Falls Next

- People were then unemployed unable to pay their personal loans.
- People then went to collect the money they had invested in banks all at once.
- The banks didn't have their money and the banks and couldn't pay back the fed, thus they went bust too.